

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 * <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"/>
Pilot <input type="checkbox"/>			Rule		
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 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) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>
Section 806(e)(2) * <input type="checkbox"/>	

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

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

Proposed rule change to amend Rule 11.380 to provide that Aggregate Risk Controls ("ARC") mechanism is available to any IEX Member as well as to clearing firms for their broker correspondent IEX Member firms, and to specify the manner in which Members shall contact IEX to utilize the ARC mechanism.

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

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 09/22/2016 Chief Regulatory Officer
 By Claudia Crowley claudia.crowley@iextrading.com
 (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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

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

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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 amend Rule 11.380 to provide that the Aggregate Risk Controls (“ARC”) mechanism is available to any IEX Member as well as to clearing firms for their broker correspondent IEX Member firms, and to specify the manner in which Members shall contact IEX to arrange to utilize the ARC mechanism. The Exchange has designated this rule change as non-controversial under Section 19(b)(3)(A) of the Act³ and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) thereunder.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

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 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

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

Rule 11.380, entitled Risk Management, describes the optional ARC mechanism that is designed to assist IEX clearing firms⁵ in their risk management efforts. IEX does not charge a fee for use of ARC. As described in the rule, ARC can be configured to provide trading limits based on the gross notional exposure for matched and routed trades for a clearing firm's broker correspondent across MPIDs, by MPID, by FIX session or in combination, per clearing firm relationship. As specified in the rule, ARCs are elected, and the upper value of any limits is set by the clearing firm of a Member. Once the gross notional exposure, as elected and configured, has exceeded the pre-determined limit, IEX will reject new orders and cancel all open orders for the applicable MPID(s) and/or FIX session specified. As specified in paragraph (a)(3)(A) of Rule 11.380, gross notional exposure is calculated as the absolute sum of the notional value of all buy and sell trades (i.e., equal to the value of executed buys plus the absolute value of executed long sells

⁵ As described in Rule 11.250(a), a clearing firm is an IEX Member that is a member of a registered clearing agency. Pursuant to IEX Rule 2.160(c)(4) an IEX Member must be a member of a registered clearing agency or clear transactions executed on the Exchange through another Member that is a member of a registered clearing agency.

plus the absolute value of executed short sells). There is no netting of buys and sales in the same symbol or across symbols. Gross notional exposure resets for each new trading day.

IEX proposes to revise the rule to provide that ARC is optionally available to any Member as well as to clearing firms for their broker correspondent IEX Member firms. This change will serve to clarify that ARC may be used by a clearing firm Member for its own trading on IEX as well as for its correspondent firm customers that are IEX Members. Because a Member that is self-clearing technically has a “clearing firm relationship” with itself, the Exchange believes that the rule already provides that ARC may be used by a clearing firm Member for its own trading on IEX. In addition, IEX proposes to amend Rule 11.380 to provide that ARC is available to any Member. Thus, as proposed, ARC may be elected by a Member for its own trading on IEX (whether or not such Member is self-clearing) as well as by a clearing firm Member for its correspondent firm customers that are IEX Members.⁶ In addition, IEX proposes to add new text to provide that ARC limits may be increased or decreased on an intra-day basis by a Member or the clearing firm of a Member, as applicable. Further, IEX proposes to make several nonsubstantive changes to subparagraphs (a)(2) and (3) of the rule text to simplify and streamline such provisions, including replacing GNE as a defined term within the rule text with references simply to “gross notional exposure” throughout. Finally, IEX proposes to add new paragraph (b) to Rule 11.380 to provide that Members

⁶ In the case of a Member that is subject to ARC limits set by its clearing firm, the Member will be advised of such limits by IEX. In the event a Member that is subject to ARC limits set by its clearing firm also elects to set ARC limits for its own trading, the Exchange will apply both such limits with a lower limit(s) being applicable.

shall contact IEX Market Operations to arrange to utilize the ARC mechanism.

Accordingly, IEX proposes to make the following revisions to the rule:

1. References in paragraph (a) to the term “Clearing Firms” will be replaced with “Members”.
2. Paragraph (a)(1) will be revised to state that ARCs are elected by a Member or the clearing firm of a Member.
3. Paragraphs (a)(2) and (3) will be revised to combine the provisions, replace the defined term GNE with references to “gross notional exposure” throughout, and state that gross notional exposure accumulates the notional values for a Member or a clearing firm’s broker correspondent.
4. New paragraph (b) will be added to specify that Members shall contact IEX Market Operations at marketops@iextrading.com to arrange to utilize ARC.

IEX believes that making ARC available to all Members as an optional service will enhance the risk management tools available to IEX Members. The Exchange notes, however, that use of ARC by a Member does not automatically constitute compliance with IEX rules or SEC rules, nor does it replace Member-managed risk management solutions. The Exchange does not propose to require Members to use ARC, and Members may use any other appropriate risk-management tool or service instead of, or in combination with, ARC. The Exchange will not provide preferential treatment to Members using ARC, nor will the use of ARC impact a Member’s use of IEX other than when it results in orders being rejected or cancelled pursuant to ARC. In addition, IEX will continue to provide ARC to Members without charge.

b. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Sections 6(b)⁷ of the Act in general, and furthers the objectives of Section 6(b)(5)⁸ of the Act, in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, by clarifying and enhancing the risk management protections available to Exchange members. The Exchange believes that the proposed rule change supports these objectives because it is designed to enable all IEX Members to manage and limit their own trading exposure on IEX, in addition to enabling clearing firms to monitor their correspondent firm customer and their own trading exposure, including by intra-day increases or decreases in the limits.

Further, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it provides a mechanism to enable IEX Members to manage their risk by preventing trading that is erroneous or exceeds a Member's financial resources, and thereby contributing to the stability of the equities markets.

The Exchange also believes that the aspects of the proposed rule change that clarify that ARC is available to clearing firms for their own trading on IEX is consistent with the protection of investors and the public interest because it will eliminate any confusion in this regard among IEX Members.

In addition, the Exchange believes that the nonsubstantive changes to subparagraphs (a)(2) and (3) of the rule text to simplify and streamline such provisions

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(5).

are consistent with the protection of investors and the public interest because such changes will enhance the readability of the relevant rule provisions.

Finally, the Exchange believes that adding rule text to specify how IEX Members shall contact IEX Market Operations to arrange to utilize the ARC mechanism will provide greater clarity and eliminate any confusion in this regard.

The Exchange notes that most other exchanges offer risk management tools to their members, with functionality similar to ARC.⁹

In addition, the Exchange believes that the proposal is consistent with just and equitable principles of trade because ARC is available to all IEX Members without charge.

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 proposal is designed to clarify and expand the availability of the optional ARC risk management mechanism as described in the Purpose section. The Exchange is not proposing to charge any fee for use of ARC, which as proposed, is available to all Members without charge. The Exchange does not believe the proposed rule change will impose any intermarket burden on competition because other exchanges offer similar functionality.¹⁰ The Exchange also does not believe that the proposal will impose an intramarket burden on competition because it is available to all Members and provides a

⁹ See, for example, Nasdaq Stock Market LLC Rules 6100 – 6120; Securities Exchange Act Release No. 68330 (November 30, 2012), 77 FR 72894 (December 6, 2012) (File No. SR-BATS-2012-045 concerning Bats BZX Exchange, Inc. (formerly BATS Exchange, Inc.) Risk Management Tool).

¹⁰ See, supra note 9.

mechanism to enable IEX Members to manage their risk by preventing trading that is erroneous or exceeds a Member's financial resources, thereby contributing to the stability of the equities markets. Accordingly, this proposal will have no impact on competition.

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)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act¹¹ and paragraph (f)(6) of Rule 19b-4 thereunder.¹² The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with 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.¹³

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4¹⁴ because it raises no novel issues but merely clarifies and expands the availability of ARC risk management mechanism to all IEX Members.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4.

¹³ 17 CFR 240.19b-4(f)(6)(iii).

¹⁴ 17 CFR 240.19b-4(f)(6).

The Exchange also believes that the proposal would not significantly affect the protection of investors or the public interest; rather, the proposed rule change will benefit investors and the public interest by providing expanded risk management services to IEX Members, clarifying the availability of such services and contact information thereof. In addition, the Exchange does not believe that the proposal raises any new or novel issues not previously considered by the Commission in that other exchanges already offer similar risk management mechanisms to their Members.¹⁵ Based on the foregoing, the Exchange has designated this rule filing as “non-controversial” under Section 19(b)(3)(A) of the Act¹⁶ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁷

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 so that the proposed rule change may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. As discussed in the Statutory Basis and Burden on Competition sections above, the Exchange believes that offering ARC risk management protections to all Members is consistent with the protection of investors and the public interest because it provides a mechanism to enable IEX Members to manage their risk by preventing trading that is erroneous or exceeds a Member’s financial resources, and thereby contributing to the stability of the equities markets and benefiting the market overall. Accordingly, the Exchange believes that waiver of the operative delay is consistent with the protection of investors and the public interest because such waiver will enable the

¹⁵ See supra note 9.

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4.

Exchange to offer ARC risk management protections to all Members upon effectiveness of the proposed rule filing, as well as provide the clarification to clearing firms.

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.¹⁸

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.

¹⁸ 15 U.S.C. 78s(b)(2)(B).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34 -); File No. SR-IEX-2016-14)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Optional Risk Management Controls.

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 Rule 11.380 to provide that the Aggregate Risk Controls (“ARC”) mechanism is available to any IEX Member as well as to clearing firms for their broker correspondent IEX Member firms, and to specify the manner in which Members shall contact IEX to arrange to utilize the ARC mechanism. The Exchange has

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.

designated this rule change as non-controversial under Section 19(b)(3)(A) of the Act⁶ and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) thereunder.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

Rule 11.380, entitled Risk Management, describes the optional ARC mechanism that is designed to assist IEX clearing firms⁸ in their risk management efforts. IEX does not charge a fee for use of ARC. As described in the rule, ARC can be configured to provide trading limits based on the gross notional exposure for matched and routed trades

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(6)(iii).

⁸ As described in Rule 11.250(a), a clearing firm is an IEX Member that is a member of a registered clearing agency. Pursuant to IEX Rule 2.160(c)(4) an IEX Member must be a member of a registered clearing agency or clear transactions executed on the Exchange through another Member that is a member of a registered clearing agency.

for a clearing firm's broker correspondent across MPIDs, by MPID, by FIX session or in combination, per clearing firm relationship. As specified in the rule, ARCs are elected, and the upper value of any limits is set by the clearing firm of a Member. Once the gross notional exposure, as elected and configured, has exceeded the pre-determined limit, IEX will reject new orders and cancel all open orders for the applicable MPID(s) and/or FIX session specified. As specified in paragraph (a)(3)(A) of Rule 11.380, gross notional exposure is calculated as the absolute sum of the notional value of all buy and sell trades (i.e., equal to the value of executed buys plus the absolute value of executed long sells plus the absolute value of executed short sells). There is no netting of buys and sales in the same symbol or across symbols. Gross notional exposure resets for each new trading day.

IEX proposes to revise the rule to provide that ARC is optionally available to any Member as well as to clearing firms for their broker correspondent IEX Member firms. This change will serve to clarify that ARC may be used by a clearing firm Member for its own trading on IEX as well as for its correspondent firm customers that are IEX Members. Because a Member that is self-clearing technically has a "clearing firm relationship" with itself, the Exchange believes that the rule already provides that ARC may be used by a clearing firm Member for its own trading on IEX. In addition, IEX proposes to amend Rule 11.380 to provide that ARC is available to any Member. Thus, as proposed, ARC may be elected by a Member for its own trading on IEX (whether or not such Member is self-clearing) as well as by a clearing firm Member for its

correspondent firm customers that are IEX Members.⁹ In addition, IEX proposes to add new text to provide that ARC limits may be increased or decreased on an intra-day basis by a Member or the clearing firm of a Member, as applicable. Further, IEX proposes to make several nonsubstantive changes to subparagraphs (a)(2) and (3) of the rule text to simplify and streamline such provisions, including replacing GNE as a defined term within the rule text with references simply to “gross notional exposure” throughout. Finally, IEX proposes to add new paragraph (b) to Rule 11.380 to provide that Members shall contact IEX Market Operations to arrange to utilize the ARC mechanism.

Accordingly, IEX proposes to make the following revisions to the rule:

1. References in paragraph (a) to the term “Clearing Firms” will be replaced with “Members”.
2. Paragraph (a)(1) will be revised to state that ARCs are elected by a Member or the clearing firm of a Member.
3. Paragraphs (a)(2) and (3) will be revised to combine the provisions, replace the defined term GNE with references to “gross notional exposure” throughout, and state that gross notional exposure accumulates the notional values for a Member or a clearing firm’s broker correspondent.
4. New paragraph (b) will be added to specify that Members shall contact IEX Market Operations at marketops@iextrading.com to arrange to utilize ARC.

IEX believes that making ARC available to all Members as an optional service will enhance the risk management tools available to IEX Members. The Exchange notes,

⁹ In the case of a Member that is subject to ARC limits set by its clearing firm, the Member will be advised of such limits by IEX. In the event a Member that is subject to ARC limits set by its clearing firm also elects to set ARC limits for its own trading, the Exchange will apply both such limits with a lower limit(s) being applicable.

however, that use of ARC by a Member does not automatically constitute compliance with IEX rules or SEC rules, nor does it replace Member-managed risk management solutions. The Exchange does not propose to require Members to use ARC, and Members may use any other appropriate risk-management tool or service instead of, or in combination with, ARC. The Exchange will not provide preferential treatment to Members using ARC, nor will the use of ARC impact a Member's use of IEX other than when it results in orders being rejected or cancelled pursuant to ARC. In addition, IEX will continue to provide ARC to Members without charge.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Sections 6(b)¹⁰ of the Act in general, and furthers the objectives of Section 6(b)(5)¹¹ of the Act, in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, by clarifying and enhancing the risk management protections available to Exchange members. The Exchange believes that the proposed rule change supports these objectives because it is designed to enable all IEX Members to manage and limit their own trading exposure on IEX, in addition to enabling clearing firms to monitor their correspondent firm customer and their own trading exposure, including by intra-day increases or decreases in the limits.

Further, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it provides a mechanism to

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(5).

enable IEX Members to manage their risk by preventing trading that is erroneous or exceeds a Member's financial resources, and thereby contributing to the stability of the equities markets.

The Exchange also believes that the aspects of the proposed rule change that clarify that ARC is available to clearing firms for their own trading on IEX is consistent with the protection of investors and the public interest because it will eliminate any confusion in this regard among IEX Members.

In addition, the Exchange believes that the nonsubstantive changes to subparagraphs (a)(2) and (3) of the rule text to simplify and streamline such provisions are consistent with the protection of investors and the public interest because such changes will enhance the readability of the relevant rule provisions.

Finally, the Exchange believes that adding rule text to specify how IEX Members shall contact IEX Market Operations to arrange to utilize the ARC mechanism will provide greater clarity and eliminate any confusion in this regard.

The Exchange notes that most other exchanges offer risk management tools to their members, with functionality similar to ARC.¹²

In addition, the Exchange believes that the proposal is consistent with just and equitable principles of trade because ARC is available to all IEX Members without charge.

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

¹² See, for example, Nasdaq Stock Market LLC Rules 6100 – 6120; Securities Exchange Act Release No. 68330 (November 30, 2012), 77 FR 72894 (December 6, 2012) (File No. SR-BATS-2012-045 concerning Bats BZX Exchange, Inc. (formerly BATS Exchange, Inc.) Risk Management Tool).

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 proposal is designed to clarify and expand the availability of the optional ARC risk management mechanism as described in the Purpose section. The Exchange is not proposing to charge any fee for use of ARC, which as proposed, is available to all Members without charge. The Exchange does not believe the proposed rule change will impose any intermarket burden on competition because other exchanges offer similar functionality.¹³ The Exchange also does not believe that the proposal will impose an intramarket burden on competition because it is available to all Members and provides a mechanism to enable IEX Members to manage their risk by preventing trading that is erroneous or exceeds a Member's financial resources, thereby contributing to the stability of the equities markets. Accordingly, this proposal will have no impact on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A)¹⁴ of the Act and Rule 19b-4(f)(6)¹⁵ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any 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

¹³ See, *supra* note 12.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

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)¹⁶ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹⁷ 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 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)¹⁸ of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

¹⁸ 15 U.S.C. 78s(b)(2)(B).

- 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-2016-14 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-2016-14. 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-2016-14 and should be submitted on or

before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

¹⁹ 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 11.380. Risk Management

(a) Aggregate Risk Controls (“ARC”) [for Clearing Firms].

(1) ARCs [are] may be optionally elected[, and the upper value of any limits is set] by a Member or the clearing firm of a Member.

(2) IEX ARC can be configured to accumulate gross notional exposure for a Member or clearing firm’s broker correspondent across MPIDs, by MPID, by FIX session, or in combination, per clearing firm relationship or Member, as applicable. [(3) Gross Notional Exposure (“GNE”). IEX] ARC [for Gross Notional Exposure (GNE)] accumulates the gross notional value of matched and routed trades for a Member or clearing firm’s broker correspondent as specified in subparagraph (a)(2)(A), and will automatically reject new orders and cancel all open orders when [GNE] the gross notional exposure has exceeded a pre-determined limit. IEX ARC may be increased or decreased on an intra-day basis by a Member or the clearing firm of a Member, as applicable.

(A) [GNE] Gross notional exposure is calculated as the absolute sum of the notional value of all buy and sell trades: equal to the value of executed buys plus the absolute value of executed long sells plus the absolute value of executed short sells. There is no netting of buys and sales in the same symbol or across symbols. [GNE] Gross notional exposure resets for each new trading day.

(b) Members, including clearing firms, seeking to utilize ARC shall contact IEX Market Operations at marketops@iextrading.com.