

*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

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

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

<b>Exhibit 2 Sent As Paper Document</b>	<b>Exhibit 3 Sent As Paper Document</b>
<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 the operation of the primary peg order type, simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book, and make minor housekeeping changes to conform certain terminology.

**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 \*   
 Title \*   
 E-mail \*   
 Telephone \*  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    
 By    
 (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 \***

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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”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) proposed rule changes to (i) amend Rules 11.190(a)(3) and 11.190(b)(8) to modify the operation of the primary peg order type; (ii) amend Rule 11.190(h)(C)(ii) and (D)(ii) regarding price sliding in locked and crossed markets to simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book; and (iii) make minor housekeeping changes to conform certain terminology.

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 Exchange’s governing documents. Therefore, the Exchange’s internal procedures with

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

Andres J. Trujillo  
Regulatory Associate  
Investors Exchange LLC  
646-343-2034

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

a. Purpose

Background

The purpose of the proposed rule change is to amend Rules 11.190(a)(3) and 11.190(b)(8) to modify the operation of the primary peg order type offered by the Exchange, and to amend Rule 11.190(h)(C)(ii) and (D)(ii) regarding price sliding in locked and crossed markets to simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book.

Currently, the Exchange offers three types of pegged orders – primary peg, midpoint peg and discretionary peg – each of which are non-displayed orders that upon entry into the System and while resting on the Order Book, are pegged to a reference price based on the national best bid and offer (“NBBO”) and the price of the order is automatically adjusted by the System in response to changes in the NBBO. As set forth in Rule 11.190(b)(8), a primary peg order is a pegged order that upon entry and when posting to the Order Book, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of the primary quote (i.e., the national best bid (“NBB”) for buy orders and the national best offer (“NBO”) for sell orders) or

the order's limit price, if any. While resting on the Order Book, the order is automatically adjusted by the System in response to the changes in the NBB (NBO) for buy (sell) orders up (down) to the order's limit price, if any.

In the event the NBBO becomes locked or crossed, primary peg orders, as well as Discretionary Peg orders, resting on or posting to the Order Book are priced to the less aggressive of either the prior non-locked or non-crossing near side quote (i.e., the prior unlocked or uncrossed NBB (NBO) for buy (sell) orders), or one (1) MPV less aggressive than the locking or crossing price.<sup>3</sup>

#### Overview

The Exchange proposes to modify the operation of the primary peg order type. The order type as revised is a non-displayed order designed to enable a Member (or customer thereof) to rest trading interest on the Order Book at a price inferior to the primary quote and remain available to execute against an incoming order seeking to cross the spread and execute at prices equal to or more aggressive (from the taker's perspective) than such quote, while avoiding adverse selection when the market appears to be moving against the resting primary peg order (i.e., moving lower in the case of a buy order or higher in the case of a sell order). As described more fully below, the primary peg order as proposed combines the offset feature of the Primary Pegged Order offered by BATS BZX Exchange, Inc ("BZX")<sup>4</sup> with the price improvement opportunities and protections offered by the Exchange's existing Discretionary Peg

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<sup>3</sup> See, Rule 11.190(h)(C)(ii) and (D)(ii).

<sup>4</sup> See BZX Rule 11.9(c)(8).

order.<sup>5</sup> Specifically, the primary peg order as proposed offers Members an opportunity to rest one (1) MPV less aggressive than the primary quote (i.e., one (1) MPV below the NBB for buy orders or one (1) MPV above the NBO for sell orders) but remain eligible to exercise price discretion up (down) to the NBB (NBO) for buy (sell) orders, and is designed to protect such orders from unfavorable executions by preventing the exercise of such price discretion when the Exchange has determined that the market is moving against the order (i.e., a crumbling quote is detected). In addition, the Exchange proposes to simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book so that such orders will slide to one MPV less aggressive than the locking or crossing price (i.e., higher for a sell order and lower for a buy order) rather than remaining at the prior non-locked or non-crossed price when such price is less aggressive.

The Exchange notes that the primary peg order type has received modest usage by Members, and at the same time, the Exchange has observed that spread crossing interest entered on the Exchange is sometimes unable to find sufficient resting interest willing to trade at the far-side primary quote. The Exchange believes (based in part on informal discussions with liquidity providing Members) that the primary peg order type as revised, which is designed to prevent adverse selection in unstable market conditions, will incentivize passive resting liquidity priced to execute at the primary quote on the Exchange, and consequently may result in greater execution opportunities at the far side quote for Members entering spread crossing orders.

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<sup>5</sup> See, Rule 11.190(b)(10).

### Description of Proposed Rule Change

As proposed, Rule 11.190(b)(8) provides that (i) a primary peg order will, upon entry and when posting to the Order Book, be automatically adjusted by the System to be equal to and ranked at the less aggressive of one (1) minimum price variant (“MPV”)<sup>6</sup> less aggressive than the primary quote (i.e., one MPV below (above) the NBB (NBO) for buy (sell) orders) or the order’s limit price, as applicable; (ii) exercise price discretion up (down) to the NBB (NBO) for buy (sell) orders, except during periods of quote instability as defined in Rule 11.190(g); and (iii) in locked and crossed markets, slide one MPV less aggressive than the locking price or crossing price (i.e., the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders).<sup>7</sup>

As is the case with Discretionary Peg orders, Rule 11.190(b)(8) would provide that a primary peg order would maintain time priority at its resting price, and be prioritized behind any non-displayed interest resting at the NBB (NBO) for buy (sell) orders (i.e., the “primary quote”) for the duration of the book processing action in which it is exercising discretion. If multiple primary peg orders are exercising discretion during the same book processing action, they would maintain their relative time priority when executing at the primary quote.

As proposed, the manner in which a primary peg order will exercise price discretion is similar to the manner in which a Discretionary Peg order exercises price discretion. As set forth in Rule 11.190(b)(10), a Discretionary Peg order pegs to the less aggressive of the primary quote (i.e., NBB for buy orders and NBO for sell orders) or the

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<sup>6</sup> See, Rule 11.210.

<sup>7</sup> The proposed changes to the price sliding process in locked and crossed markets would also apply to Discretionary Peg orders.

order's limit price, if any, but, in order to meet the limit price of an active order, will exercise price discretion up to the less aggressive of the Midpoint Price<sup>8</sup> or the order's limit price, if any. However, a Discretionary Peg order will not exercise such price discretion during periods of quote instability as defined in Rule 11.190(g).<sup>9</sup> Similarly, as proposed a primary peg order will exercise discretion in order to meet the limit price of an active order up to the NBB (for buy orders) or down to the NBO (for sell orders), except during periods of quote instability as defined in Rule 11.190(g), or if the order is resting at its limit price, if any.

The Exchange also proposes to amend Rule 11.190(h)(C)(ii) and (D)(ii) regarding price sliding in locked and crossed markets to simplify the price sliding process for both

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<sup>8</sup> See, Rule 1.160(t).

<sup>9</sup> As set forth in Rule 11.190(g), in determining whether a crumbling quote exists, the Exchange utilizes real time relative quoting activity of Protected Quotations and a proprietary mathematical calculation (the "quote instability calculation") to assess the probability of an imminent change to the current Protected NBB to a lower price or Protected NBO to a higher price for a particular security ("quote instability factor"). When the quoting activity meets predefined criteria and the quote instability factor calculated is greater than the Exchange's defined threshold ("quote instability threshold"), the System treats the quote as not stable ("quote instability" or a "crumbling quote"). During all other times, the quote is considered stable ("quote stability"). The System independently assesses the quote stability of the Protected NBB and Protected NBO for each security. When the System determines that a quote, either the Protected NBB or the Protected NBO, is unstable, the determination remains in effect at that price level for ten (10) milliseconds. The System will only treat one side of the Protected NBBO as unstable in a particular security at any given time. By not permitting resting Discretionary Peg orders to execute at a price that is more aggressive than the near-side protected NBB or NBO (as applicable) during periods of quote instability, the Exchange System is intended to attempt to protect such orders from unfavorable executions when the market is moving against them. Once the market has moved and the Exchange System deems the near-side Protected NBB or NBO (as applicable) to be stable (pursuant to a pre-determined, objective set of conditions as described below), Discretionary Peg orders are permitted to exercise discretion up to (for buy orders) or down to (for sell orders) the midpoint of the NBBO in order to meet the limit price of active orders on the order book and thereby potentially provide price improvement to such active orders. Quote stability or instability (also referred to as a crumbling quote) is an assessment that the Exchange System makes on a real-time basis, based on a pre-determined, objective set of conditions specified in Rule 11.190(g)(1).



primary peg orders and Discretionary Peg orders resting on or posting to the Order Book. As proposed, such orders will slide to one MPV less aggressive than the locking or crossing price (i.e., higher for a sell order and lower for a buy order) rather than remaining at the prior non-locked or non-crossed price when such price is less aggressive. If a primary peg order is submitted while the market is crossed, the order would post to the Order Book priced one (1) MPV less aggressive than the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders. The Exchange notes that the goal of this provision is to ensure that primary peg and Discretionary Peg orders do not rest at locking or crossing prices. The Exchange believes that the variability of the existing approach is unnecessarily complicated, without any material benefit, and requires both the Exchange System and Member systems to keep track of the prior non-locked/non-crossed price. Therefore, the Exchange believes that simplifying the price sliding processing for primary peg and Discretionary Peg orders is appropriate in this respect since it would accomplish the goal of sliding such orders to a non-locked/non-crossed price.

The Exchange does not propose to amend the order modifiers and parameters currently applicable to primary peg orders as set forth in Rule 11.190(b)(8)(A)-(J), and such order modifiers and parameters would apply to primary peg orders as revised. Specifically, currently and as proposed, a primary peg order: (i) must be a pegged order; (ii) must have a time-in-force (“TIF”) of DAY, GTT, GTX, or SYS;<sup>10</sup> (iii) is not eligible

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<sup>10</sup> See, Rule 11.190(a)(3). A primary peg order with a TIF of GTT, GTX or SYS entered before the opening of the Regular Market Session will be rejected. A primary peg order with a TIF of DAY entered before the opening of the Regular Market Session will be queued in the System until the start of the Regular Market Session.

for routing;<sup>11</sup> (iv) may not be an intermarket sweep order;<sup>12</sup> (v) may be submitted with a limit price, or without a limit price; (vi) is eligible to trade only during the Regular Market Session; (vii) may be a minimum quantity order;<sup>13</sup> (viii) is not eligible to be displayed by the System; (ix) may be an odd lot, round lot, or mixed lot; and (x) is not eligible to be invited by the System to Recheck, as described in Rule 11.230(a)(4)(D).

Finally, the Exchange proposes to make a minor conforming housekeeping change to Rule 11.190(h)(D)(ii) to refer to the “crossing price” rather than “crossed quote” to be consistent with other references within the rule.

#### Implementation

The Exchange plans to implement the proposed changes during the first quarter of 2017 pending completion of necessary technology changes and subject to Commission approval. The Exchange will announce the implementation date of the proposed changes by Trader Alert at least 5 business days in advance of such implementation date and within 90 days of approval of this proposed rule change.

#### b. Statutory Basis

IEX believes that the proposed rule change is consistent with Section 6(b)<sup>14</sup> of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>15</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect

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<sup>11</sup> See, Rules 11.230(b) and (c)(2).

<sup>12</sup> See, Rule 11.190(b)(12).

<sup>13</sup> See, Rule 11.190(b)(11).

<sup>14</sup> 15 U.S.C. 78f.

<sup>15</sup> 15 U.S.C. 78f(b)(5).

the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

Specifically, IEX believes that the proposal is consistent with protection of investors and the public interest in that the primary peg order type is designed to assist Members in obtaining best execution for their customers (and proprietary orders) by providing an opportunity to execute at the NBBO, but limiting executions at the NBBO when the NBBO is not stable, thereby reducing the potential to execute at a stale price. Moreover, as discussed above, the primary peg order, as proposed, combines key attributes of the Primary Pegged Order offered by BZX, in that both order types offer Members an opportunity to rest more passively than the primary quote, and the discretionary price improvement attributes of the Exchange's Discretionary Peg order type. Thus, IEX does not believe that the primary peg order type raises any new or novel issues that have not already been considered by the Commission in connection with existing order types of IEX and BZX.<sup>16</sup> In particular, IEX notes that, in connection with its grant of IEX's application for registration as a national securities exchange under Sections 6 and 19 of the Act, the Commission specifically found IEX's order type rules, including those providing for a Discretionary Peg order to exercise price discretion only when the quote appears to be stable, to be consistent with the Act and, in particular, the Section 6(b)(5) requirement that the Exchange's rules be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and protect investors and the public

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<sup>16</sup> See also NYSE Arca Equities Rule 7.31P(h) which provides for a Discretionary Pegged order type based on IEX's Discretionary Peg order type.

interest.<sup>17</sup> Accordingly, the Exchange believes that providing the same price discretion to primary peg orders is similarly consistent with the protection of investors and the public interest.

The Exchange also believes that the proposed priority rules for primary peg orders are designed to protect investors and the public interest because the proposed priority rules are identical to those for Discretionary Peg orders.<sup>18</sup> As noted above, the Commission has already considered the Exchange's Discretionary Peg order type in connection with its grant of IEX's application for registration as a national securities exchange under Sections 6 and 19 of the Act, and specifically found IEX's order type rules to be consistent with the Act and, in particular, the Section 6(b)(5) requirement that the exchange's rules be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and protect investors and the public interest.<sup>19</sup> Accordingly, the Exchange does not believe that applying these priority rules to primary peg orders raises any new or novel issues that have not already been considered by the Commission, and is thus consistent with the protection of investors and the public interest.

The Exchange also believes that simplifying the operation of price sliding primary peg orders in a locked or crossed market is consistent with the protection of investors and the public interest by making the Exchange's rules more clear and transparent, and removing the variability of a primary peg orders booked price in situations where the

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<sup>17</sup> See Securities Exchange Act Release No. 34-78101 at 47 (June 17, 2016), 81 FR 41142 (June 23, 2016) (File No. 10-222).

<sup>18</sup> See IEX Rule 11.190(b)(10).

<sup>19</sup> See supra, note 17.

market becomes locked or crossed. Specifically, rather than price sliding such orders at the less aggressive of either the prior unlocked or uncrossed near side quotation, or one MPV less aggressive than the locking or crossing price, the Exchange will simply slide such orders one MPV less aggressive than the locking or crossing price, creating a simple, transparent process for price sliding such orders.

Finally, the Exchange believes that the minor conforming housekeeping change to Rule 11.190(h)(D)(ii) to refer to “crossing price” rather than “crossed quote” is consistent with the protection of investors and the public interest because it will make the applicable rule text more clear by eliminating inconsistent verbiage to describe the same concept.

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 change will offer the primary peg order type equally to all IEX Members. Furthermore, the Exchange does not believe that allowing primary peg orders to exercise discretion in stable markets, using the formula set forth in IEX Rule 11.190(g), will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Commission has already considered the Exchange’s Discretionary Peg order type in connection with its grant of IEX’s application for registration as a national securities exchange under Sections 6 and 19 of the Act.<sup>20</sup> The proposed rule change is designed to extend the benefits of the quote stability calculation to Members using the primary peg order type to prevent unfavorable executions in crumbling markets; therefore, no new burdens are being proposed.

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<sup>20</sup> See supra, note 17.

The Exchange also does not believe that the proposed primary peg order type will result in any burden on Members seeking to cross the spread and execute at the far side quote (the NBO (NBB) for buy (sell) orders), because the benefits and protections offered by the proposed primary peg order type, which is designed to prevent adverse selection in unstable market conditions, is intended to incentivize passive resting liquidity priced to execute at the primary quote on the Exchange, and consequently may result in greater execution opportunities at the far side quote for Members entering spread crossing orders.

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

IEX does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.

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

Not applicable.

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

The proposed rule change is based in part on BZX Rule 11.9(c)(8).

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34 -     ); File No. SR-IEX-2016-18)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to: (i) amend Rules 11.190(a)(3) and 11.190(b)(8) to modify the operation of the primary peg order type; (ii) amend Rule 11.190(h)(C)(ii) and (D)(ii) regarding price sliding in locked and crossed markets to simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book; and (iii) make minor housekeeping changes to conform certain terminology.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> 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”),<sup>4</sup> and Rule 19b-4 thereunder,<sup>5</sup> Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) proposed rule changes to (i) amend Rules 11.190(a)(3) and 11.190(b)(8) to modify the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> 15 U.S.C. 78s(b)(1).

<sup>5</sup> 17 CFR 240.19b-4.



operation of the primary peg order type; (ii) amend Rule 11.190(h)(C)(ii) and (D)(ii) regarding price sliding in locked and crossed markets to simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book; and (iii) make minor housekeeping changes to conform certain terminology.

The text of the proposed rule change is available at the Exchange's website at [www.iextrading.com](http://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

Background

The purpose of the proposed rule change is to amend Rules 11.190(a)(3) and 11.190(b)(8) to modify the operation of the primary peg order type offered by the Exchange, and to amend Rule 11.190(h)(C)(ii) and (D)(ii) regarding price sliding in locked and crossed markets to simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book.

Currently, the Exchange offers three types of pegged orders – primary peg, midpoint peg and discretionary peg – each of which are non-displayed orders that upon entry into the System and while resting on the Order Book, are pegged to a reference price based on the national best bid and offer (“NBBO”) and the price of the order is automatically adjusted by the System in response to changes in the NBBO. As set forth in Rule 11.190(b)(8), a primary peg order is a pegged order that upon entry and when posting to the Order Book, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of the primary quote (i.e., the national best bid (“NBB”) for buy orders and the national best offer (“NBO”) for sell orders) or the order’s limit price, if any. While resting on the Order Book, the order is automatically adjusted by the System in response to the changes in the NBB (NBO) for buy (sell) orders up (down) to the order’s limit price, if any.

In the event the NBBO becomes locked or crossed, primary peg orders, as well as Discretionary Peg orders, resting on or posting to the Order Book are priced to the less aggressive of either the prior non-locked or non-crossing near side quote (i.e., the prior unlocked or uncrossed NBB (NBO) for buy (sell) orders), or one (1) MPV less aggressive than the locking or crossing price.<sup>6</sup>

#### Overview

The Exchange proposes to modify the operation of the primary peg order type. The order type as revised is a non-displayed order designed to enable a Member (or customer thereof) to rest trading interest on the Order Book at a price inferior to the primary quote and remain available to execute against an incoming order seeking to cross

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<sup>6</sup> See, Rule 11.190(h)(C)(ii) and (D)(ii).

the spread and execute at prices equal to or more aggressive (from the taker's perspective) than such quote, while avoiding adverse selection when the market appears to be moving against the resting primary peg order (i.e., moving lower in the case of a buy order or higher in the case of a sell order). As described more fully below, the primary peg order as proposed combines the offset feature of the Primary Pegged Order offered by BATS BZX Exchange, Inc ("BZX")<sup>7</sup> with the price improvement opportunities and protections offered by the Exchange's existing Discretionary Peg order.<sup>8</sup> Specifically, the primary peg order as proposed offers Members an opportunity to rest one (1) MPV less aggressive than the primary quote (i.e., one (1) MPV below the NBB for buy orders or one (1) MPV above the NBO for sell orders) but remain eligible to exercise price discretion up (down) to the NBB (NBO) for buy (sell) orders, and is designed to protect such orders from unfavorable executions by preventing the exercise of such price discretion when the Exchange has determined that the market is moving against the order (i.e., a crumbling quote is detected). In addition, the Exchange proposes to simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book so that such orders will slide to one MPV less aggressive than the locking or crossing price (i.e., higher for a sell order and lower for a buy order) rather than remaining at the prior non-locked or non-crossed price when such price is less aggressive.

The Exchange notes that the primary peg order type has received modest usage by Members, and at the same time, the Exchange has observed that spread crossing interest entered on the Exchange is sometimes unable to find sufficient resting interest willing to

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<sup>7</sup> See BZX Rule 11.9(c)(8).

<sup>8</sup> See, Rule 11.190(b)(10).

trade at the far-side primary quote. The Exchange believes (based in part on informal discussions with liquidity providing Members) that the primary peg order type as revised, which is designed to prevent adverse selection in unstable market conditions, will incentivize passive resting liquidity priced to execute at the primary quote on the Exchange, and consequently may result in greater execution opportunities at the far side quote for Members entering spread crossing orders.

#### Description of Proposed Rule Change

As proposed, Rule 11.190(b)(8) provides that (i) a primary peg order will, upon entry and when posting to the Order Book, be automatically adjusted by the System to be equal to and ranked at the less aggressive of one (1) minimum price variant (“MPV”)<sup>9</sup> less aggressive than the primary quote (i.e., one MPV below (above) the NBB (NBO) for buy (sell) orders) or the order’s limit price, as applicable; (ii) exercise price discretion up (down) to the NBB (NBO) for buy (sell) orders, except during periods of quote instability as defined in Rule 11.190(g); and (iii) in locked and crossed markets, slide one MPV less aggressive than the locking price or crossing price (i.e., the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders).<sup>10</sup>

As is the case with Discretionary Peg orders, Rule 11.190(b)(8) would provide that a primary peg order would maintain time priority at its resting price, and be prioritized behind any non-displayed interest resting at the NBB (NBO) for buy (sell) orders (i.e., the “primary quote”) for the duration of the book processing action in which it is exercising discretion. If multiple primary peg orders are exercising discretion during

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<sup>9</sup> See, Rule 11.210.

<sup>10</sup> The proposed changes to the price sliding process in locked and crossed markets would also apply to Discretionary Peg orders.

the same book processing action, they would maintain their relative time priority when executing at the primary quote.

As proposed, the manner in which a primary peg order will exercise price discretion is similar to the manner in which a Discretionary Peg order exercises price discretion. As set forth in Rule 11.190(b)(10), a Discretionary Peg order pegs to the less aggressive of the primary quote (i.e., NBB for buy orders and NBO for sell orders) or the order's limit price, if any, but, in order to meet the limit price of an active order, will exercise price discretion up to the less aggressive of the Midpoint Price<sup>11</sup> or the order's limit price, if any. However, a Discretionary Peg order will not exercise such price discretion during periods of quote instability as defined in Rule 11.190(g).<sup>12</sup> Similarly, as proposed a primary peg order will exercise discretion in order to meet the limit price of

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<sup>11</sup> See, Rule 1.160(t).

<sup>12</sup> As set forth in Rule 11.190(g), in determining whether a crumbling quote exists, the Exchange utilizes real time relative quoting activity of Protected Quotations and a proprietary mathematical calculation (the "quote instability calculation") to assess the probability of an imminent change to the current Protected NBB to a lower price or Protected NBO to a higher price for a particular security ("quote instability factor"). When the quoting activity meets predefined criteria and the quote instability factor calculated is greater than the Exchange's defined threshold ("quote instability threshold"), the System treats the quote as not stable ("quote instability" or a "crumbling quote"). During all other times, the quote is considered stable ("quote stability"). The System independently assesses the quote stability of the Protected NBB and Protected NBO for each security. When the System determines that a quote, either the Protected NBB or the Protected NBO, is unstable, the determination remains in effect at that price level for ten (10) milliseconds. The System will only treat one side of the Protected NBBO as unstable in a particular security at any given time. By not permitting resting Discretionary Peg orders to execute at a price that is more aggressive than the near-side protected NBB or NBO (as applicable) during periods of quote instability, the Exchange System is intended to attempt to protect such orders from unfavorable executions when the market is moving against them. Once the market has moved and the Exchange System deems the near-side Protected NBB or NBO (as applicable) to be stable (pursuant to a pre-determined, objective set of conditions as described below), Discretionary Peg orders are permitted to exercise discretion up to (for buy orders) or down to (for sell orders) the midpoint of the NBBO in order to meet the limit price of active orders on the order book and thereby potentially provide price improvement to such active orders. Quote stability or instability (also referred to as a crumbling quote) is an assessment that the Exchange System makes on a real-time basis, based on a pre-determined, objective set of conditions specified in Rule 11.190(g)(1).

an active order up to the NBB (for buy orders) or down to the NBO (for sell orders), except during periods of quote instability as defined in Rule 11.190(g), or if the order is resting at its limit price, if any.

The Exchange also proposes to amend Rule 11.190(h)(C)(ii) and (D)(ii) regarding price sliding in locked and crossed markets to simplify the price sliding process for both primary peg orders and Discretionary Peg orders resting on or posting to the Order Book. As proposed, such orders will slide to one MPV less aggressive than the locking or crossing price (i.e., higher for a sell order and lower for a buy order) rather than remaining at the prior non-locked or non-crossed price when such price is less aggressive. If a primary peg order is submitted while the market is crossed, the order would post to the Order Book priced one (1) MPV less aggressive than the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders. The Exchange notes that the goal of this provision is to ensure that primary peg and Discretionary Peg orders do not rest at locking or crossing prices. The Exchange believes that the variability of the existing approach is unnecessarily complicated, without any material benefit, and requires both the Exchange System and Member systems to keep track of the prior non-locked/non-crossed price. Therefore, the Exchange believes that simplifying the price sliding processing for primary peg and Discretionary Peg orders is appropriate in this respect since it would accomplish the goal of sliding such orders to a non-locked/non-crossed price.

The Exchange does not propose to amend the order modifiers and parameters currently applicable to primary peg orders as set forth in Rule 11.190(b)(8)(A)-(J), and such order modifiers and parameters would apply to primary peg orders as revised.

Specifically, currently and as proposed, a primary peg order: (i) must be a pegged order; (ii) must have a time-in-force (“TIF”) of DAY, GTT, GTX, or SYS;<sup>13</sup> (iii) is not eligible for routing;<sup>14</sup> (iv) may not be an intermarket sweep order;<sup>15</sup> (v) may be submitted with a limit price, or without a limit price; (vi) is eligible to trade only during the Regular Market Session; (vii) may be a minimum quantity order;<sup>16</sup> (viii) is not eligible to be displayed by the System; (ix) may be an odd lot, round lot, or mixed lot; and (x) is not eligible to be invited by the System to Recheck, as described in Rule 11.230(a)(4)(D).

Finally, the Exchange proposes to make a minor conforming housekeeping change to Rule 11.190(h)(D)(ii) to refer to the “crossing price” rather than “crossed quote” to be consistent with other references within the rule.

#### Implementation

The Exchange plans to implement the proposed changes during the first quarter of 2017 pending completion of necessary technology changes and subject to Commission approval. The Exchange will announce the implementation date of the proposed changes by Trader Alert at least 5 business days in advance of such implementation date and within 90 days of approval of this proposed rule change.

## 2. Statutory Basis

IEX believes that the proposed rule change is consistent with Section 6(b)<sup>17</sup> of the

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<sup>13</sup> See, Rule 11.190(a)(3). A primary peg order with a TIF of GTT, GTX or SYS entered before the opening of the Regular Market Session will be rejected. A primary peg order with a TIF of DAY entered before the opening of the Regular Market Session will be queued in the System until the start of the Regular Market Session.

<sup>14</sup> See, Rules 11.230(b) and (c)(2).

<sup>15</sup> See, Rule 11.190(b)(12).

<sup>16</sup> See, Rule 11.190(b)(11).

<sup>17</sup> 15 U.S.C. 78f.

Act in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>18</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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.

Specifically, IEX believes that the proposal is consistent with protection of investors and the public interest in that the primary peg order type is designed to assist Members in obtaining best execution for their customers (and proprietary orders) by providing an opportunity to execute at the NBBO, but limiting executions at the NBBO when the NBBO is not stable, thereby reducing the potential to execute at a stale price. Moreover, as discussed above, the primary peg order, as proposed, combines key attributes of the Primary Pegged Order offered by BZX, in that both order types offer Members an opportunity to rest more passively than the primary quote, and the discretionary price improvement attributes of the Exchange's Discretionary Peg order type. Thus, IEX does not believe that the primary peg order type raises any new or novel issues that have not already been considered by the Commission in connection with existing order types of IEX and BZX.<sup>19</sup> In particular, IEX notes that, in connection with its grant of IEX's application for registration as a national securities exchange under Sections 6 and 19 of the Act, the Commission specifically found IEX's order type rules, including those providing for a Discretionary Peg order to exercise price discretion only

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<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> See also NYSE Arca Equities Rule 7.31P(h) which provides for a Discretionary Pegged order type based on IEX's Discretionary Peg order type.



when the quote appears to be stable, to be consistent with the Act and, in particular, the Section 6(b)(5) requirement that the Exchange's rules be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and protect investors and the public interest.<sup>20</sup> Accordingly, the Exchange believes that providing the same price discretion to primary peg orders is similarly consistent with the protection of investors and the public interest.

The Exchange also believes that the proposed priority rules for primary peg orders are designed to protect investors and the public interest because the proposed priority rules are identical to those for Discretionary Peg orders.<sup>21</sup> As noted above, the Commission has already considered the Exchange's Discretionary Peg order type in connection with its grant of IEX's application for registration as a national securities exchange under Sections 6 and 19 of the Act, and specifically found IEX's order type rules to be consistent with the Act and, in particular, the Section 6(b)(5) requirement that the exchange's rules be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and protect investors and the public interest.<sup>22</sup> Accordingly, the Exchange does not believe that applying these priority rules to primary peg orders raises any new or novel issues that have not already been considered by the Commission, and is thus consistent with the protection of investors and the public interest.

The Exchange also believes that simplifying the operation of price sliding primary

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<sup>20</sup> See Securities Exchange Act Release No. 34-78101 at 47 (June 17, 2016), 81 FR 41142 (June 23, 2016) (File No. 10-222).

<sup>21</sup> See IEX Rule 11.190(b)(10).

<sup>22</sup> See *supra*, note 20.

peg orders in a locked or crossed market is consistent with the protection of investors and the public interest by making the Exchange's rules more clear and transparent, and removing the variability of a primary peg orders booked price in situations where the market becomes locked or crossed. Specifically, rather than price sliding such orders at the less aggressive of either the prior unlocked or uncrossed near side quotation, or one MPV less aggressive than the locking or crossing price, the Exchange will simply slide such orders one MPV less aggressive than the locking or crossing price, creating a simple, transparent process for price sliding such orders.

Finally, the Exchange believes that the minor conforming housekeeping change to Rule 11.190(h)(D)(ii) to refer to "crossing price" rather than "crossed quote" is consistent with the protection of investors and the public interest because it will make the applicable rule text more clear by eliminating inconsistent verbiage to describe the same concept.

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 change will offer the primary peg order type equally to all IEX Members. Furthermore, the Exchange does not believe that allowing primary peg orders to exercise discretion in stable markets, using the formula set forth in IEX Rule 11.190(g), will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Commission has already considered the Exchange's Discretionary Peg order type in connection with its grant of IEX's application for registration as a national securities exchange under Sections 6 and 19 of the Act.<sup>23</sup> The

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<sup>23</sup> See supra, note 20.

proposed rule change is designed to extend the benefits of the quote stability calculation to Members using the primary peg order type to prevent unfavorable executions in crumbling markets; therefore, no new burdens are being proposed.

The Exchange also does not believe that the proposed primary peg order type will result in any burden on Members seeking to cross the spread and execute at the far side quote (the NBO (NBB) for buy (sell) orders), because the benefits and protections offered by the proposed primary peg order type, which is designed to prevent adverse selection in unstable market conditions, is intended to incentivize passive resting liquidity priced to execute at the primary quote on the Exchange, and consequently may result in greater execution opportunities at the far side quote for Members entering spread crossing orders.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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](mailto:rule-comments@sec.gov). Please include File Number SR-IEX-2016-18 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-2016-18. 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](http://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-2016-18 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.<sup>24</sup>

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<sup>24</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 5 – Text of Proposed Rule Change

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

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## Rule 11.190. Orders and Modifiers

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- (a) No change.
- (1) – (2) No change.
- (3) Pegged Order. A non-displayed order that upon entry into the System and while resting on the Order Book, is pegged to a reference price based on the NBBO and the price of the order is automatically adjusted by the System in response to changes in the NBBO. A User can specify to peg the order to one of the following reference prices: one (1) MPV less aggressive than the primary quote (i.e., the NBB for buy orders and NBO for sell orders) while resting, and available for execution against opposing orders to its discretionary price (i.e., from the resting price to the primary quote) [the inside quote on the same side of the market] ("primary peg"); the midpoint of the NBBO ("midpoint peg"); or the midpoint of the NBBO upon entry, the inside quote on the same side of the market while resting, and available for execution against opposing orders within its discretionary range (i.e. from the resting price to the Midpoint Price or the order's limit, whichever is less aggressive) at a price that uses the minimum amount of discretion necessary to execute the order against an active order ("Discretionary Peg"). A pegged order may have a limit price beyond which the order shall not be executed. A midpoint pegged order or a Discretionary Peg order may be executed in sub-pennies if necessary to obtain a Midpoint Price. A pegged order:
- (A) – (G) No change.

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- (b) Order Parameters
- (1) – (7) No change.
- (8) Primary Peg Order. A pegged order that upon entry and when posting to the Order Book, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of one (1) MPV less aggressive than the primary quote

(i.e. the NBB for buy orders and NBO for sell orders) or the order's limit price, if any. While resting on the Order Book, the order is automatically adjusted by the System in response to the changes in the NBB (NBO) for buy (sell) orders up (down) to the order's limit price, if any. In order to meet the limit price of active orders on the Order Book, a primary peg order will exercise price discretion to its discretionary price (defined as the primary quote), except during periods of quote instability as defined by paragraph (g) below or where the primary peg order is resting at its limit price, if any. When exercising price discretion, a primary peg order maintains time priority at its resting price and is prioritized behind any non-displayed interest resting at the discretionary price for the duration of that book processing action. If multiple primary peg orders are exercising price discretion during the same book processing action, they maintain their relative time priority at the discretionary price. A primary peg order:

(A) – (J) No change.

(K) Is eligible to exercise price discretion to its discretionary price, except during periods of quote instability, as specified in paragraph (g) below.

(i) If the System determines the NBB for a particular security to be an unstable quote in accordance with paragraph (g) below, it will restrict buy primary peg orders in that security from exercising price discretion to trade against interest at the NBB.

(ii) If the System determines the NBO for a particular security to be an unstable quote in accordance with paragraph (g) below, it will restrict sell primary peg orders in that security from exercising price discretion to trade against interest at the NBO.

(9) – (12) No change.

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(h) Price Sliding. The System will process orders pursuant to the “price sliding process,” which includes the following:

(1) – (2) No change.

(3) No change.

(A) – (B) No change.

(C) No change.

(i) No change.

(ii) In the event that the market becomes locked, primary peg orders and Discretionary Peg orders resting on or posting to the Order Book are priced [to the less aggressive price of either (a) the prior non-locked near-side quote or (b)] one (1) MPV less aggressive than the locking price. If a Discretionary Peg order is submitted to the Exchange by a User while the market is locked, the order initially checks for available contra-side interest on the Order Book at the Midpoint Price (the locking price) before posting.

(D) No change.

(i) No change.

(ii) In the event that the market becomes crossed, primary peg orders and Discretionary Peg orders resting on or posting to the Order Book are priced [to the less aggressive of; either (a) the prior non-crossed (and non-locked) near-side quote or (b)] one (1) MPV away from the [crossed quote] crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders, before posting. If a Discretionary Peg order is submitted to the Exchange by a User while the market is crossed, the order initially checks for matches on the Order Book at the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders, before posting. If a primary peg order is submitted to the Exchange by a User while the market is crossed, the order posts to the Order Book priced one (1) MPV less aggressive than the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders.

(4) – (5) No change.

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