

Required fields are shown with yellow backgrounds and asterisks.

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

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

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

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

Amend Certain Auction Rules Governing the Pricing of Non-Displayed Orders Resting on the Continuous Book for the Opening and Closing Auctions.

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 * Andres	Last Name * Trujillo
Title * Regulation Counsel	
E-mail * andres.trujillo@iextrading.com	
Telephone * (646) 343-2034	Fax <input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 02/16/2018	Regulation Associate
By James Mollen	<input type="text"/>
(Name *)	<input type="text" value="james.mollen@iextrading.com"/>

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rules 11.350(a)(2) and 11.350(a)(30) to properly reflect the manner in which the Exchange will handle non-displayed orders resting on the Continuous Book³ within the Reference Price Range⁴ in crossed and one-sided markets⁵ in the Opening and Closing Auctions,⁶ and resolve a conflict with the Exchange’s existing rules regarding the pricing of such orders. The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act⁷ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁸

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Rule 11.350(a)(4).

⁴ See Rule 11.350(a)(30).

⁵ A crossed market refers to a scenario in which the protected national best bid (“Protected NBB”) is greater than the protected national best offer (“Protected NBO”). A one-sided market refers to a scenario in which there is only a Protected NBB or Protected NBO. See Rule 1.160(bb).

⁶ See Rules 11.350(c) and (d), respectively.

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4.

(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 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
Regulation Counsel
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

The purpose of this proposed rule change is to amend Rules 11.350(a)(2) and 11.350(a)(30) to properly reflect the manner in which the Exchange will handle non-displayed orders resting on the Continuous Book within the Reference Price Range in crossed and one-sided markets in the Opening and Closing Auctions, and resolve a conflict with the Exchange's existing rules regarding the pricing of such orders.

On August 4, 2017, the Commission approved a proposed rule change filed by the Exchange to adopt rules governing auctions in IEX-listed securities, including Opening and Closing Auction processes that establish IEX Official Opening and Closing Prices for

each trading day.⁹ The Exchange intends to launch a listings program for corporate issuers in 2018. IEX Rule 11.350 is applicable to auctions in IEX-listed securities.

IEX Opening Auction

Pursuant to Rule 11.350(c)(1), Users may submit orders eligible for execution in the Opening Auction¹⁰ at the beginning of the Pre-Market Session,¹¹ which begins at 8:00 a.m.¹² Any orders designated for the Opening Auction Book¹³ will be queued until 9:30 a.m. at which time they will be eligible to be executed in the Opening Auction. In addition to orders on the Opening Auction Book, limit orders on the Continuous Book with a time-in-force of SYS or GTT are eligible to execute in the Opening Auction (“Pre-market Continuous Book”).¹⁴ The Exchange does not place any restrictions on the entry of orders to the Pre-market Continuous Book to avoid unnecessary disruptions to continuous trading.

Pursuant to proposed Rule 11.350(c)(2), beginning at the Opening Auction Lock-in Time¹⁵ and updated every one second thereafter, the Exchange will disseminate IEX Auction Information¹⁶ via electronic means. The Exchange will attempt to conduct an

⁹ See Securities Exchange Act Release No. 81316 (August 4, 2017), 82 FR 37474 (August 10, 2017). See also Rules 11.350(a)(12) and (10), respectively.

¹⁰ See Rule 11.350(c).

¹¹ See Rule 1.160(z).

¹² All times are in Eastern Time.

¹³ Pursuant to Rule 11.350(a)(1)(A), orders on the Opening Auction Book would include MOO orders, LOO orders, market orders with a time-in-force of DAY, and limit orders with a time-in-force of DAY or GTX. See Rules 11.350(a)(25), 11.350(a)(21), 11.190(a)(2)(E)(iii), and 11.190(a)(1)(E)(iii) and (v), respectively.

¹⁴ See Rule 11.190(a)(1)(E)(iv) and (vi).

¹⁵ See Rule 11.350(a)(22).

¹⁶ See Rule 11.350(a)(9).

Opening Auction for all IEX-listed securities at the start of Regular Market Hours¹⁷ (i.e., 9:30 a.m.) in accordance with the clearing price determination process set forth in Rule 11.350(c)(2)(B). All orders eligible for execution in the Opening Auction (i.e., orders on the Opening Auction Book and orders on the Pre-Market Continuous Book that are not Auction Ineligible Orders¹⁸) are Auction Eligible Orders.¹⁹ Auction Eligible Orders will be ranked and maintained in accordance with IEX auction priority, pursuant to Rule 11.350(b). Moreover, pursuant to Rule 11.350(a)(2), non-displayed buy (sell) orders on the Pre-Market Continuous Book with a resting price (as defined in Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the Protected NBB (NBO) for the purpose of determining the clearing price,²⁰ but will be ranked and eligible for execution in the Opening Auction match at the order's resting price.²¹ Thus, non-displayed orders will influence the Opening Auction clearing price if such price is at or outside the Reference Price Range, but not if the clearing price is within the Reference Price Range.

IEX Closing Auction

Similar to the Opening Auction, pursuant to Rule 11.350(d)(1), the Exchange

¹⁷ See Rule 1.160(gg).

¹⁸ See Rule 11.350(a)(3).

¹⁹ See Rule 11.350(a)(2).

²⁰ Note, non-displayed buy (sell) orders on the Continuous Book with a resting price (as defined in Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the Protected NBB (NBO) for the purpose of determining the clearing price and the Indicative Clearing Price disseminated in IEX Auction Information as set forth in Rule 11.350(a)(9)(E).

²¹ The Exchange notes that in the case of an IPO, Halt, or Volatility Auction, there is no continuous trading and therefore no Continuous Book. Accordingly, there would be no non-displayed interest on the Continuous Book to which this functionality would apply.

allows Users to submit orders eligible for execution in the Closing Auction²² at the beginning of the Pre-Market Session, which begins at 8:00 a.m. Any orders designated for the Closing Auction Book²³ are queued until 4:00 p.m. (or such earlier time as the Regular Market Session²⁴ ends on days that IEX is subject to an early closing) at which time they will be eligible to be executed in the Closing Auction. In addition to orders on the Closing Auction Book, all limit and pegged orders resting on the Continuous Book with a time-in-force of DAY, GTX, GTT, or SYS are eligible for execution in the Closing Auction, (“Regular-Market Continuous Book”).²⁵ Similar to the Opening Auction, the Exchange does not place any restrictions on the entry of orders to the Regular-Market Continuous Book to avoid unnecessary disruptions to continuous trading.

Pursuant to Rule 11.350(d)(2)(A), beginning at the Closing Auction Lock-in Time²⁶ and updated every one second thereafter, the Exchange will disseminate IEX Auction Information via electronic means. The Exchange will attempt to conduct a Closing Auction for all IEX-listed securities at 4:00 p.m., or such earlier time as the Regular Market Session ends on days that IEX is subject to an early closing, in accordance with the clearing price determination process set forth in Rule 11.350(d)(2)(B). All orders eligible for execution in the Closing Auction (i.e., orders on

²² See Rule 11.350(d).

²³ Pursuant to Rule 11.350(a)(1)(B), orders on the Closing Auction Book would include MOC orders and LOC orders. See Rules 11.350(a)(24), and 11.350(a)(20).

²⁴ See Rule 1.160(gg).

²⁵ The following types of orders are not eligible for execution in the Closing Auction: market orders (except MOC orders) and orders with a time-in-force of IOC or FOK, because Market orders entered during the Regular Market Session and orders marked IOC or FOK do not rest on the Continuous Book, and therefore are not eligible for the Closing Auction.

²⁶ See Rule 11.350(a)(22).

the Closing Auction Book and orders on the Regular-Market Continuous Book) are Auction Eligible Orders. Auction Eligible Orders will be ranked in accordance with IEX Auction Priority set forth in Rule 11.350(b). Moreover, pursuant to Rule 11.350(a)(2), non-displayed buy (sell) orders on the Regular-Market Continuous Book with a resting price (as defined in Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the Protected NBB (NBO) for the purpose of determining the clearing price,²⁷ but will be ranked and eligible for execution in the Closing Auction match at the order's resting price. Thus, as with the Opening Auction, non-displayed orders resting on the Regular-Market Continuous Book will influence the Closing Auction clearing price if such price is at or outside the Reference Price Range, but not if the clearing price is within the Reference Price Range.

As described in the rule filing proposing rules governing auctions in IEX-listed securities,²⁸ the Exchange's handling of non-displayed interest on the Continuous Book resting within the Reference Price Range in the Opening and Closing Auction is designed to protect the anonymity of resting non-displayed interest on the Continuous Book during the dissemination of IEX Auction Information. Specifically, the Exchange believes that without such treatment, information leakage would occur if the Indicative Clearing Price is closer to the midpoint of the NBBO than the Reference Price²⁹ that is disseminated via

²⁷ Note, non-displayed buy (sell) orders on the Continuous Book with a resting price (as defined in proposed Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the Protected NBB (NBO) for the purpose of determining the clearing price and the Indicative Clearing Price disseminated in IEX Auction Information as set forth in Rule 11.350(a)(9)(E).

²⁸ See Securities Exchange Act Release No. 80583 (May 3, 2017), 82 FR 21634 (May 9, 2017). See also supra note 9.

²⁹ See Rule 11.350(a)(9)(A).

IEX Auction Information. This would indicate that there is non-displayed interest resting on the Continuous Book for at least the size of the imbalance and priced at least as aggressively as the Reference Price.

Reference Price Range

For the Opening or Closing Auction, the Reference Price Range is defined in Rule 11.350(a)(30) as the prices between and including the Protected NBB and Protected NBO, if the Protected NBBO is valid. The Protected NBBO is valid when there is both a Protected NBB and Protected NBO in the security (i.e., the market is not one-sided or zero-sided), the Protected NBBO is not crossed, and the midpoint of the Protected NBBO is less than or equal to the Maximum Percentage³⁰ away from both the Protected NBB and Protected NBO. The Maximum Percentage values set forth in Rule 11.350(a)(26) are as follows:

- 5% if the Protected Midpoint Price³¹ is less than or equal to \$25.00;
- 2.5% if the Protected Midpoint Price is greater than \$25.00 but less than or equal to \$50.00; or
- 1.5% if the Protected Midpoint Price is greater than \$50.00.

In the event that the Protected NBBO is not valid, the Reference Price Range will be equal to the IEX best bid and offer (“IEX BBO”), if the IEX BBO is valid. The IEX BBO is valid where there is both an IEX best bid and IEX best offer in the security (i.e., the IEX BBO is not one-sided or zero-sided), and the midpoint of the IEX BBO is less than or equal to the Maximum Percentage away from both the IEX best bid and the IEX best offer. Where the IEX BBO is not valid, the Reference Price Range is set to the

³⁰ See Rule 11.350(a)(26).

³¹ Id.

higher (lower) price of the Final Consolidated Last Sale Eligible Trade,³² or the Protected NBB (NBO), if not crossed, or the IEX best bid (offer).

Proposed Changes

During development and testing of the functionality for Opening and Closing Auctions the Exchange identified that in crossed markets, Rule 11.350(a)(2) does not properly reflect the Exchange's planned handling of non-displayed orders resting on the Continuous Book within the Reference Price Range, and conflicts with the Exchange's existing rules regarding the pricing of orders. Specifically, Rule 11.350(a)(2) states in relevant part that non-displayed buy (sell) orders on the Continuous Book will be priced to the Protected NBB (NBO) for the purposes of determining the clearing price.

However, as discussed above, the Reference Price Range is generally—but not always—equal to the Protected NBBO.³³ Therefore, when the Reference Price Range does not equal the Protected NBBO, pricing non-displayed buy (sell) orders to the Protected NBB (NBO) may result in such orders being priced beyond a User's defined limit price, or the Midpoint Price Constraint as set forth in Exchange Rule 11.190(h)(2) and 11.190(h)(3)(D)(i).

³² See Rule 11.350(a)(6), which defines the Final Consolidated Last Sale Eligible Trade as the last trade prior to the end of Regular Market Hours, or where applicable, prior to trading in the security being halted or paused, that is last sale eligible and reported to the Consolidated Tape, rounded to the nearest MPV or Midpoint Price calculated by the System, whichever is closer. If no such transaction was executed in accordance with the preceding sentence, then the Final Consolidated Last Sale Eligible Trade will be the previous official closing price.

³³ For example, when the Protected NBBO is crossed, the Reference Price Range would be equal to the IEX BBO (assuming it was valid). In addition, when the Protected NBBO is one-sided (and therefore the IEX BBO is also necessarily one-sided), the Reference Price Range would be equal to the higher (lower) of the Final Consolidated Last Sale Eligible Trade, or the Protected NBB (NBO).

For example, if the Protected NBBO is \$10.15 x \$10.09 (crossed), and the IEX BBO is \$10.05 x \$10.10, the Reference Price Range would be equal to the IEX BBO. However, pursuant to current Rule 11.350(a)(2), non-displayed orders to buy resting at their limit price on the Continuous Book between \$10.05 and \$10.09 would be priced to the Protected NBB of \$10.15 for purposes of determining the clearing price, which is more aggressive than their User defined limit prices, as well as the Midpoint Price Constraint of \$10.09 (pursuant to Rule 11.190(h)(3)(D)(i)).

Thus, the Exchange proposes to amend Rule 11.350(a)(2) to clarify that for Opening and Closing Auctions, non-displayed buy (sell) orders on the Continuous Book with a resting price within the Reference Price Range will be priced at the lower (upper) threshold of the Reference Price Range. As a result, when the Reference Price Range does not equal the Protected NBBO (e.g., when the Protected NBBO is crossed), non-displayed buy (sell) orders on the Continuous Book with a resting price within the Reference Price Range will be adjusted to less aggressive prices, consistent with the User defined limit price, if any, as well as the Midpoint Price Constraint.³⁴

In addition to the clarification above, the Exchange further identified that Rule 11.350(a)(2) does not explicitly reflect the Exchange's handling of non-displayed orders resting on the Continuous Book within the Reference Price Range in one-sided markets. Specifically, as described above, Rule 11.350(a)(2) states in relevant part that non-

³⁴ Modifying the example above under the proposed Rule, if the Protected NBBO is \$10.15 x \$10.09 (crossed), and the IEX BBO is \$10.05 x \$10.10, the Reference Price Range would be equal to the IEX BBO. Pursuant to proposed Rule 11.350(a)(2), non-displayed orders to buy resting at their limit price on the Continuous Book between \$10.05 and \$10.09 would be priced to the IEX best bid of \$10.05 for purposes of determining the clearing price, which is consistent with User defined limit prices, as well as the Midpoint Price Constraint of \$10.09 (pursuant to Rule 11.190(h)(3)(D)(i)).

displayed buy (sell) orders resting on the Continuous Book within the Reference Price Range will be priced to the Protected NBB (NBO) for the purposes of determining the clearing price. However, when there is no valid Protected NBBO or IEX BBO, and thus the Reference Price Range is a single price (e.g., when the Reference Price Range is equal to the Final Consolidated Last Sale Eligible Trade), the Exchange's rules do not explicitly identify that non-displayed buy (sell) orders on the Continuous Book resting with a price above (below) the Reference Price Range will be priced equal to the Reference Price Range for purposes of determining the clearing price.

As discussed above, the treatment of non-displayed interest on the Continuous Book resting within the Reference Price Range is generally designed to protect the anonymity of resting non-displayed interest on the Continuous Book during the dissemination of IEX Auction Information. Accordingly, the Exchange's proposed handling of non-displayed interest on the Continuous Book when the Reference Price Range is a single price (i.e., when in a one-sided market the Reference Price Range is equal to either the Final Consolidated Last Sale Eligible Trade, Protected NBB, Protected NBO, IEX best bid, or IEX best offer) is designed with the same goal of avoiding unnecessary information leakage.

For example, if the Final Consolidated Last Sale Eligible Trade is \$10.20, the Protected NBBO is \$10.15 x \$10.09 (crossed), and the IEX BBO is \$10.05 x \$10.50 (beyond the Maximum Percentage), both the Protected NBBO and IEX BBO would be invalid. Thus, pursuant to Rule 11.350(a)(30), the Reference Price Range would be equal to the Final Consolidated Last Sale Eligible Trade of \$10.20, which is higher than the

IEX best bid, (\$10.05) and lower than the IEX best offer (\$10.50).³⁵ Assuming IEX has non-displayed sell orders resting at a price more aggressive than the Reference Price Range between \$10.15 and \$10.19, such orders would be priced to \$10.20 for purposes of determining the clearing price. Pricing such sell orders more passively to \$10.20 for purposes of determining the clearing price would prevent such interest from pushing the Indicative Clearing Price³⁶ lower than the Reference Price, while the Auction Book Clearing Price³⁷ remains above the Reference Price. Ordinarily, one would expect the Reference Price to be more aggressive than both the Indicative Clearing Price and the Auction Book Clearing Price. However, in this example, because the Indicative Clearing Price is more aggressive than both the Reference Price and the Auction Book Clearing Price, IEX Auction Information would have signaled the presence, size, and side of the non-displayed orders resting on the Continuous Book between \$10.15 and \$10.19. However, because current Rule 11.350(a)(2) only addresses orders resting within the Reference Price Range, and the Reference Price Range in the example above is a single price, Rule 11.350(a)(2) does not specify how non-displayed buy (sell) orders on the Continuous Book resting with a price above (below) the Reference Price Range will be priced. Accordingly, the Exchange proposes to clarify that such order will be priced equal to the Reference Price Range for the purpose of determining the clearing price.

Furthermore, the Exchange is proposing to make a change to the language in Rule 11.350(a)(30)(C) in order to more clearly describe the method of calculating the

³⁵ Note, the Exchange evaluates the Final Last Sale Eligible Trade against the IEX BBO (even though it is beyond the Maximum Percentage) because the Protected NBBO is crossed, and therefore does not accurately reflect the market for the security.

³⁶ See Rule 11.350(a)(9)(E).

³⁷ See Rule 11.350(a)(9)(F).

Reference Price Range when both the Protected NBBO and IEX BBO are not valid. The fundamental purpose of existing Rule 11.350(a)(30)(C) is to constrain the Reference Price Range to prices that reflect the broader market for the security. With regard to the pricing of non-displayed buy (sell) orders resting on the Continuous Book, the upper (lower) threshold of the Reference Price Range is utilized as a passive benchmark to which such buy (sell) orders will be effectively pegged for purposes of determining the clearing price, in order to avoid information leakage as discussed above. Thus, as described above, the Reference Price Range is generally the Protected NBBO, or alternatively the IEX BBO, when such prices are valid. However, in the event both the Protected NBBO and IEX BBO are not valid, the Exchange determines what price—between the Final Consolidated Last Sale Eligible Trade, and the available Protected NBB and/or NBO, or IEX best bid and/or offer—best reflects the market for the security.

Current Rule 11.350(a)(30), however, pre-supposes that when evaluating subsection (C), the market is necessarily one-sided, and thus does not account for when the market is two-sided (i.e., when there is both a Protected NBB and Protected NBO, and/or both an IEX best bid and best offer, neither of which are valid). Accordingly, the Exchange is proposing to amend Rule 11.350(a)(30)(C) to more clearly describe the method of determining the Reference Price Range when neither the Protected NBBO nor IEX BBO are valid and the market is one-sided. Additionally, the Exchange proposes to re-letter current sub-paragraph (D) of Rule 11.350(a)(30) as new sub-paragraph (E), and insert a new sub-paragraph (D) to clearly describe the method of determining the Reference Price Range when neither the Protected NBBO nor IEX BBO are valid and the market is two-sided.

Specifically, proposed Rule 11.350(a)(30)(C) clarifies that if there is neither a Valid Protected NBBO nor a Valid IEX BBO, and the market is one-sided, the Reference Price Range is equal to the price of the Final Consolidated Last Sale Eligible Trade, unless such price is:

- Lower than the Protected NBB, in which case the Reference Price Range shall be the price of the Protected NBB; or
- Higher than the Protected NBO, in which case the Reference Price Range shall be equal to the price of the Protected NBO.

Moreover, proposed Rule 11.350(a)(30)(D) clarifies that if there is neither a Valid Protected NBBO nor a Valid IEX BBO and the market is two-sided, the Reference Price Range is equal to the price of the Final Consolidated Last Sale Eligible Trade, unless:

- The Protected NBBO is not crossed and the price of the Final Consolidated Last Sale Eligible Trade is either:
 - Lower than the Protected NBB, in which case the Reference Price Range shall be equal to the price of the Protected NBB; or
 - Higher than the Protected NBO, in which case the Reference Price Range shall be equal to the price of the Protected NBO.
- The Protected NBBO is crossed and the price of the Final Consolidated Last Sale Eligible Trade is either:
 - Lower than the IEX best bid, in which case the Reference Price Range shall be equal to the price of the IEX best bid; or
 - Higher than the IEX best offer, in which case the Reference Price Range shall be equal to the price of the IEX best offer.

The Exchange believes the proposed modifications to Rule 11.350(a)(30) are designed to avoid any potential confusion regarding the Exchange's determination of the Reference Price Range, and therefore further clarifies the Exchange's handling of non-displayed interest resting on the Continuous Book within the Reference Price Range pursuant to Rule 11.350(a)(2).

Lastly, as announced in IEX Trading Alerts [#2017-015](#) and [#2017-046](#), the

Exchange intends to become a primary listing exchange and support its first IEX-listed security in 2018.³⁸ In addition, as part of the listings initiative, the Exchange is providing a series of industry wide weekend tests for the Exchange and its Members to exercise the various technology changes required to support IEX Auctions and listings functionality.³⁹ Accordingly, the Exchange is proposing to clarify its handling of non-displayed orders resting on the Continuous Book within the Reference Price Range in advance of the industry wide testing period in order to avoid potential confusion, and allow Members and other market participants time to develop, test, and deploy any necessary changes to support such handling.

b. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)⁴⁰ of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act⁴¹ 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

³⁸ See [IEX Trading Alert #2017-015](#) (Listings Specifications, Testing Opportunities, and Timelines), May 31, 2017. See also [IEX Trading Alert #2017-046](#) (IEX Listings Timeline Update), originally published on Monday, October 30, 2017, and re-published on Tuesday, October 31, 2017.

³⁹ See, e.g., [IEX Trading Alert #2017-028](#) (First Listings Functionality Industry Test on Saturday, August 26), August 17, 2017; [IEX Trading Alert #2017-037](#) (Second Listings Functionality Industry Test on Saturday, September 9), September 7, 2017; [IEX Trading Alert #2017-039](#) (Third Listings Functionality Industry Test on Saturday, September 23), September 18, 2017; [IEX Trading Alert #2017-040](#) (Rescheduled 4th Listing Functionality Industry Test), September 29, 2017; [IEX Trading Alert #2017-046](#) (IEX Listings Timeline Update), originally published on Monday, October 30, 2017, and re-published on Tuesday, October 31, 2017; and [IEX Trading Alert #2017-047](#) (Fourth Listings Functionality Industry Test on Saturday, November 4), October 31, 2017.

⁴⁰ 15 U.S.C. 78f.

⁴¹ 15 U.S.C. 78f(b)(5).

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

The Exchange believes that the proposed rule changes regarding the handling of non-displayed orders resting on the Continuous Book within the Reference Price Range, as well as non-displayed buy (sell) orders on the Continuous Book resting with a price above (below) the Reference Price Range in one-sided markets, are consistent with the protection of investors and the public interest in that they do not substantially alter the substantive functionality governing the pricing of such orders for the Opening and Closing Auction. Specifically, as discussed above, the proposed rules are designed to achieve the Exchange's existing objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the Exchange's existing rules regarding pricing constraints (i.e., any User defined limit price, and the Midpoint Price Constraint).

Furthermore, the Exchange believes the proposed rule changes are consistent with the protection of investors and the public interest in that they are designed to avoid any potential confusion regarding the Exchange's handling of orders for Opening and Closing Auctions as IEX continues industry-wide testing to exercise the technology changes being made by the Exchange and its Members to support IEX as a primary listing exchange. Additionally, the Exchange believes the proposed change to rule 11.350(a)(30)(C) to more clearly describe the method of calculating the Reference Price Range is consistent with the Act and the protection of investors and the public interest, because as described above, it is designed to make IEX's rules more complete, and descriptive of the System's functionality to avoid any potential confusion among

Members and market participants regarding such functionality. Furthermore, the Exchange believes that by enhancing the clarity regarding the method of deriving the Reference Price Range, the proposed rule change compliments the rule changes regarding the pricing of non-displayed orders resting on the Continuous Book within the Reference Price Range.

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

IEX does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed correction does not impact inter-market competition in any respect since it is designed to achieve the Exchange's existing design objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the Exchanges existing rules regarding pricing constraints (i.e., any User defined limit price, and the Midpoint Price Constraint), without substantially altering the substantive functionality governing the pricing of such orders for the Opening and Closing Auction. Thus, the Exchange believes there are no new inter-market competitive burdens imposed as a result of the proposed rule changes.

In addition, the Exchange does not believe that the proposed changes will have any impact on intra-market competition. Specifically, as discussed above, the proposed rule changes do not substantively alter the functionality governing the Opening and Closing Auctions, and instead are designed to achieve the Exchange's existing design objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the

Exchanges existing rules regarding pricing constraints (i.e., any User defined limit price, and the Midpoint Price Constraint). Furthermore, the Exchange believes the proposed rule changes are designed to make IEX's rules more complete, and descriptive of the System's functionality to avoid any potential confusion among Members and market participants regarding such functionality, to the benefit of all market participants. Lastly, the Exchange notes that the proposed changes will apply to all Members on a fair and equal basis. Accordingly, the Exchange believes there are no new intra-market competitive burdens imposed as a result of the proposed rule changes.

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 Act⁴² and paragraph (f)(6) of Rule 19b-4 thereunder.⁴³ 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

⁴² 15 U.S.C. 78s(b)(3)(A).

⁴³ 17 CFR 240.19b-4.

brief description and text of the proposed rule change, at least five business days prior to the date of filing.⁴⁴

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4⁴⁵ because it would not significantly affect the protection of investors or the public interest. The Exchange believes that the proposed rule changes regarding the handling of non-displayed orders resting on the Continuous Book within the Reference Price Range, as well as non-displayed buy (sell) orders on the Continuous Book resting with a price above (below) the Reference Price Range in one-sided markets, do not significantly affect the protection of investors or the public interest in that they do not substantially alter the substantive functionality governing the pricing of such orders for the Opening and Closing Auction. Specifically, as discussed above, the proposed rules are designed to achieve the Exchange's existing design objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the Exchange's existing rules regarding pricing constraints (*i.e.*, any User defined limit price, and the Midpoint Price Constraint). Moreover, the Exchange believes there are no intra-market competitive burdens imposed as a result of the proposed rule changes because, as discussed above, the proposed rules will apply to all Members on a fair and equal basis.

Furthermore, the Exchange believes the proposed rule changes do not significantly affect the protection of investors or the public interest in that they are designed to avoid any potential confusion regarding the Exchange's handling of orders

⁴⁴ 17 CFR 240.19b-4(f)(6)(iii).

⁴⁵ 17 CFR 240.19b-4(f)(6).

for Opening and Closing Auctions as IEX continues industry-wide testing to exercise the technology changes being made by the Exchange and its Members to support IEX as a listings market. Additionally, the Exchange believes the proposed change to rule 11.350(a)(30)(C) to more clearly describe the method of calculating the Reference Price Range is consistent with the Act and the protection of investors and the public interest, because as described above, it is designed to make IEX's rules more complete, and descriptive of the System's functionality to avoid any potential confusion among Members and market participants regarding such functionality. Furthermore, the Exchange believes that by enhancing the clarity regarding the method of deriving the Reference Price Range, the proposed rule change compliments the rule changes regarding the pricing of non-displayed orders resting on the Continuous Book within the Reference Price Range. Accordingly, the Exchange believes that the proposed rule change is noncontroversial and satisfies the requirements of Rule 19b-4(f)(6).⁴⁶

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. As discussed above, the Exchange believes that the proposed rule changes are consistent with the protection of investors and the public interest in that they do not substantially alter the substantive functionality governing the pricing of such orders for the Opening and Closing Auction. Specifically, as discussed above, the proposed rules are designed to achieve the Exchange's existing objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the Exchanges existing rules

⁴⁶ 17 CFR 240.19b-4(f)(6).

regarding pricing constraints (i.e., any User defined limit price, and the Midpoint Price Constraint). Moreover, the Exchange believes there are no intra-market competitive burdens imposed as a result of the proposed rule changes because, as discussed above, the proposed rules will apply to all Members on a fair and equal basis. Therefore, the Exchange believes that waiver of the operative delay is consistent with the protection of investors and the public interest in that the proposed changes do not raise any new or novel issues that the Commission has not already considered.

Furthermore, the Exchange believes the proposed rule changes are consistent with the protection of investors and the public interest in that they are designed to avoid any potential confusion regarding the Exchange's handling of orders for Opening and Closing Auctions. Additionally, the Exchange believes the proposed change to rule 11.350(a)(30)(C) to more clearly describe the method of calculating the Reference Price Range is consistent with the Act and the protection of investors and the public interest, because as described above, it is designed to make IEX's rules more complete, and descriptive of the System's functionality to avoid any potential confusion among Members and market participants regarding such functionality. Moreover, the Exchange believes that by enhancing the clarity regarding the method of deriving the Reference Price Range, the proposed rule change compliments the rule changes regarding the pricing of non-displayed orders resting on the Continuous Book within the Reference Price Range.

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 Exchange to implement the proposed changes as IEX continues industry-

wide testing to exercise the technology changes being made by the Exchange and its Members to support IEX as a listings market.

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

Not applicable.

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-2018-03)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Certain Auction Rules Governing the Pricing of Non-Displayed Orders Resting on the Continuous Book for the Opening and Closing Auctions.

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 Rules 11.350(a)(2) and 11.350(a)(30) to properly reflect the manner in which the Exchange will handle non-displayed orders resting on the

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.

Continuous Book⁶ within the Reference Price Range⁷ in crossed and one-sided markets⁸ in the Opening and Closing Auctions,⁹ and resolve a conflict with the Exchange's existing rules regarding the pricing of such orders. The Exchange has designated this rule change as "non-controversial" under Section 19(b)(3)(A) of the Act¹⁰ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.¹¹

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 statements 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

⁶ See Rule 11.350(a)(4).

⁷ See Rule 11.350(a)(30).

⁸ A crossed market refers to a scenario in which the protected national best bid ("Protected NBB") is greater than the protected national best offer ("Protected NBO"). A one-sided market refers to a scenario in which there is only a Protected NBB or Protected NBO. See Rule 1.160(bb).

⁹ See Rules 11.350(c) and (d), respectively.

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4.

The purpose of this proposed rule change is to amend Rules 11.350(a)(2) and 11.350(a)(30) to properly reflect the manner in which the Exchange will handle non-displayed orders resting on the Continuous Book within the Reference Price Range in crossed and one-sided markets in the Opening and Closing Auctions, and resolve a conflict with the Exchange's existing rules regarding the pricing of such orders.

On August 4, 2017, the Commission approved a proposed rule change filed by the Exchange to adopt rules governing auctions in IEX-listed securities, including Opening and Closing Auction processes that establish IEX Official Opening and Closing Prices for each trading day.¹² The Exchange intends to launch a listings program for corporate issuers in 2018. IEX Rule 11.350 is applicable to auctions in IEX-listed securities.

IEX Opening Auction

Pursuant to Rule 11.350(c)(1), Users may submit orders eligible for execution in the Opening Auction¹³ at the beginning of the Pre-Market Session,¹⁴ which begins at 8:00 a.m.¹⁵ Any orders designated for the Opening Auction Book¹⁶ will be queued until 9:30 a.m. at which time they will be eligible to be executed in the Opening Auction. In addition to orders on the Opening Auction Book, limit orders on the Continuous Book with a time-in-force of SYS or GTT are eligible to execute in the Opening Auction ("Pre-

¹² See Securities Exchange Act Release No. 81316 (August 4, 2017), 82 FR 37474 (August 10, 2017). See also Rules 11.350(a)(12) and (10), respectively.

¹³ See Rule 11.350(c).

¹⁴ See Rule 1.160(z).

¹⁵ All times are in Eastern Time.

¹⁶ Pursuant to Rule 11.350(a)(1)(A), orders on the Opening Auction Book would include MOO orders, LOO orders, market orders with a time-in-force of DAY, and limit orders with a time-in-force of DAY or GTX. See Rules 11.350(a)(25), 11.350(a)(21), 11.190(a)(2)(E)(iii), and 11.190(a)(1)(E)(iii) and (v), respectively.

market Continuous Book”).¹⁷ The Exchange does not place any restrictions on the entry of orders to the Pre-market Continuous Book to avoid unnecessary disruptions to continuous trading.

Pursuant to proposed Rule 11.350(c)(2), beginning at the Opening Auction Lock-in Time¹⁸ and updated every one second thereafter, the Exchange will disseminate IEX Auction Information¹⁹ via electronic means. The Exchange will attempt to conduct an Opening Auction for all IEX-listed securities at the start of Regular Market Hours²⁰ (i.e., 9:30 a.m.) in accordance with the clearing price determination process set forth in Rule 11.350(c)(2)(B). All orders eligible for execution in the Opening Auction (i.e., orders on the Opening Auction Book and orders on the Pre-Market Continuous Book that are not Auction Ineligible Orders²¹) are Auction Eligible Orders.²² Auction Eligible Orders will be ranked and maintained in accordance with IEX auction priority, pursuant to Rule 11.350(b). Moreover, pursuant to Rule 11.350(a)(2), non-displayed buy (sell) orders on the Pre-Market Continuous Book with a resting price (as defined in Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the Protected NBB (NBO) for the purpose of determining the clearing price,²³ but will be ranked and eligible

¹⁷ See Rule 11.190(a)(1)(E)(iv) and (vi).

¹⁸ See Rule 11.350(a)(22).

¹⁹ See Rule 11.350(a)(9).

²⁰ See Rule 1.160(gg).

²¹ See Rule 11.350(a)(3).

²² See Rule 11.350(a)(2).

²³ Note, non-displayed buy (sell) orders on the Continuous Book with a resting price (as defined in Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the Protected NBB (NBO) for the purpose of determining the clearing price and the Indicative Clearing Price disseminated in IEX Auction Information as set forth in Rule 11.350(a)(9)(E).

for execution in the Opening Auction match at the order's resting price.²⁴ Thus, non-displayed orders will influence the Opening Auction clearing price if such price is at or outside the Reference Price Range, but not if the clearing price is within the Reference Price Range.

IEX Closing Auction

Similar to the Opening Auction, pursuant to Rule 11.350(d)(1), the Exchange allows Users to submit orders eligible for execution in the Closing Auction²⁵ at the beginning of the Pre-Market Session, which begins at 8:00 a.m. Any orders designated for the Closing Auction Book²⁶ are queued until 4:00 p.m. (or such earlier time as the Regular Market Session²⁷ ends on days that IEX is subject to an early closing) at which time they will be eligible to be executed in the Closing Auction. In addition to orders on the Closing Auction Book, all limit and pegged orders resting on the Continuous Book with a time-in-force of DAY, GTX, GTT, or SYS are eligible for execution in the Closing Auction, ("Regular-Market Continuous Book").²⁸ Similar to the Opening Auction, the Exchange does not place any restrictions on the entry of orders to the Regular-Market Continuous Book to avoid unnecessary disruptions to continuous trading.

²⁴ The Exchange notes that in the case of an IPO, Halt, or Volatility Auction, there is no continuous trading and therefore no Continuous Book. Accordingly, there would be no non-displayed interest on the Continuous Book to which this functionality would apply.

²⁵ See Rule 11.350(d).

²⁶ Pursuant to Rule 11.350(a)(1)(B), orders on the Closing Auction Book would include MOC orders and LOC orders. See Rules 11.350(a)(24), and 11.350(a)(20).

²⁷ See Rule 1.160(gg).

²⁸ The following types of orders are not eligible for execution in the Closing Auction: market orders (except MOC orders) and orders with a time-in-force of IOC or FOK, because Market orders entered during the Regular Market Session and orders marked IOC or FOK do not rest on the Continuous Book, and therefore are not eligible for the Closing Auction.

Pursuant to Rule 11.350(d)(2)(A), beginning at the Closing Auction Lock-in Time²⁹ and updated every one second thereafter, the Exchange will disseminate IEX Auction Information via electronic means. The Exchange will attempt to conduct a Closing Auction for all IEX-listed securities at 4:00 p.m., or such earlier time as the Regular Market Session ends on days that IEX is subject to an early closing, in accordance with the clearing price determination process set forth in Rule 11.350(d)(2)(B). All orders eligible for execution in the Closing Auction (i.e., orders on the Closing Auction Book and orders on the Regular-Market Continuous Book) are Auction Eligible Orders. Auction Eligible Orders will be ranked in accordance with IEX Auction Priority set forth in Rule 11.350(b). Moreover, pursuant to Rule 11.350(a)(2), non-displayed buy (sell) orders on the Regular-Market Continuous Book with a resting price (as defined in Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the Protected NBB (NBO) for the purpose of determining the clearing price,³⁰ but will be ranked and eligible for execution in the Closing Auction match at the order's resting price. Thus, as with the Opening Auction, non-displayed orders resting on the Regular-Market Continuous Book will influence the Closing Auction clearing price if such price is at or outside the Reference Price Range, but not if the clearing price is within the Reference Price Range.

As described in the rule filing proposing rules governing auctions in IEX-listed

²⁹ See Rule 11.350(a)(22).

³⁰ Note, non-displayed buy (sell) orders on the Continuous Book with a resting price (as defined in proposed Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the Protected NBB (NBO) for the purpose of determining the clearing price and the Indicative Clearing Price disseminated in IEX Auction Information as set forth in Rule 11.350(a)(9)(E).

securities,³¹ the Exchange's handling of non-displayed interest on the Continuous Book resting within the Reference Price Range in the Opening and Closing Auction is designed to protect the anonymity of resting non-displayed interest on the Continuous Book during the dissemination of IEX Auction Information. Specifically, the Exchange believes that without such treatment, information leakage would occur if the Indicative Clearing Price is closer to the midpoint of the NBBO than the Reference Price³² that is disseminated via IEX Auction Information. This would indicate that there is non-displayed interest resting on the Continuous Book for at least the size of the imbalance and priced at least as aggressively as the Reference Price.

Reference Price Range

For the Opening or Closing Auction, the Reference Price Range is defined in Rule 11.350(a)(30) as the prices between and including the Protected NBB and Protected NBO, if the Protected NBBO is valid. The Protected NBBO is valid when there is both a Protected NBB and Protected NBO in the security (i.e., the market is not one-sided or zero-sided), the Protected NBBO is not crossed, and the midpoint of the Protected NBBO is less than or equal to the Maximum Percentage³³ away from both the Protected NBB and Protected NBO. The Maximum Percentage values set forth in Rule 11.350(a)(26) are as follows:

- 5% if the Protected Midpoint Price³⁴ is less than or equal to \$25.00;

³¹ See Securities Exchange Act Release No. 80583 (May 3, 2017), 82 FR 21634 (May 9, 2017). See also supra note 12.

³² See Rule 11.350(a)(9)(A).

³³ See Rule 11.350(a)(26).

³⁴ Id.

- 2.5% if the Protected Midpoint Price is greater than \$25.00 but less than or equal to \$50.00; or
- 1.5% if the Protected Midpoint Price is greater than \$50.00.

In the event that the Protected NBBO is not valid, the Reference Price Range will be equal to the IEX best bid and offer (“IEX BBO”), if the IEX BBO is valid. The IEX BBO is valid where there is both an IEX best bid and IEX best offer in the security (i.e., the IEX BBO is not one-sided or zero-sided), and the midpoint of the IEX BBO is less than or equal to the Maximum Percentage away from both the IEX best bid and the IEX best offer. Where the IEX BBO is not valid, the Reference Price Range is set to the higher (lower) price of the Final Consolidated Last Sale Eligible Trade,³⁵ or the Protected NBB (NBO), if not crossed, or the IEX best bid (offer).

Proposed Changes

During development and testing of the functionality for Opening and Closing Auctions the Exchange identified that in crossed markets, Rule 11.350(a)(2) does not properly reflect the Exchange’s planned handling of non-displayed orders resting on the Continuous Book within the Reference Price Range, and conflicts with the Exchange’s existing rules regarding the pricing of orders. Specifically, Rule 11.350(a)(2) states in relevant part that non-displayed buy (sell) orders on the Continuous Book will be priced to the Protected NBB (NBO) for the purposes of determining the clearing price.

³⁵ See Rule 11.350(a)(6), which defines the Final Consolidated Last Sale Eligible Trade as the last trade prior to the end of Regular Market Hours, or where applicable, prior to trading in the security being halted or paused, that is last sale eligible and reported to the Consolidated Tape, rounded to the nearest MPV or Midpoint Price calculated by the System, whichever is closer. If no such transaction was executed in accordance with the preceding sentence, then the Final Consolidated Last Sale Eligible Trade will be the previous official closing price.

However, as discussed above, the Reference Price Range is generally—but not always—equal to the Protected NBBO.³⁶ Therefore, when the Reference Price Range does not equal the Protected NBBO, pricing non-displayed buy (sell) orders to the Protected NBB (NBO) may result in such orders being priced beyond a User's defined limit price, or the Midpoint Price Constraint as set forth in Exchange Rule 11.190(h)(2) and 11.190(h)(3)(D)(i).

For example, if the Protected NBBO is \$10.15 x \$10.09 (crossed), and the IEX BBO is \$10.05 x \$10.10, the Reference Price Range would be equal to the IEX BBO. However, pursuant to current Rule 11.350(a)(2), non-displayed orders to buy resting at their limit price on the Continuous Book between \$10.05 and \$10.09 would be priced to the Protected NBB of \$10.15 for purposes of determining the clearing price, which is more aggressive than their User defined limit prices, as well as the Midpoint Price Constraint of \$10.09 (pursuant to Rule 11.190(h)(3)(D)(i)).

Thus, the Exchange proposes to amend Rule 11.350(a)(2) to clarify that for Opening and Closing Auctions, non-displayed buy (sell) orders on the Continuous Book with a resting price within the Reference Price Range will be priced at the lower (upper) threshold of the Reference Price Range. As a result, when the Reference Price Range does not equal the Protected NBBO (e.g., when the Protected NBBO is crossed), non-displayed buy (sell) orders on the Continuous Book with a resting price within the Reference Price Range will be adjusted to less aggressive prices, consistent with the User

³⁶ For example, when the Protected NBBO is crossed, the Reference Price Range would be equal to the IEX BBO (assuming it was valid). In addition, when the Protected NBBO is one-sided (and therefore the IEX BBO is also necessarily one-sided), the Reference Price Range would be equal to the higher (lower) of the Final Consolidated Last Sale Eligible Trade, or the Protected NBB (NBO).

defined limit price, if any, as well as the Midpoint Price Constraint.³⁷

In addition to the clarification above, the Exchange further identified that Rule 11.350(a)(2) does not explicitly reflect the Exchange's handling of non-displayed orders resting on the Continuous Book within the Reference Price Range in one-sided markets. Specifically, as described above, Rule 11.350(a)(2) states in relevant part that non-displayed buy (sell) orders resting on the Continuous Book within the Reference Price Range will be priced to the Protected NBB (NBO) for the purposes of determining the clearing price. However, when there is no valid Protected NBBO or IEX BBO, and thus the Reference Price Range is a single price (e.g., when the Reference Price Range is equal to the Final Consolidated Last Sale Eligible Trade), the Exchange's rules do not explicitly identify that non-displayed buy (sell) orders on the Continuous Book resting with a price above (below) the Reference Price Range will be priced equal to the Reference Price Range for purposes of determining the clearing price.

As discussed above, the treatment of non-displayed interest on the Continuous Book resting within the Reference Price Range is generally designed to protect the anonymity of resting non-displayed interest on the Continuous Book during the dissemination of IEX Auction Information. Accordingly, the Exchange's proposed handling of non-displayed interest on the Continuous Book when the Reference Price Range is a single price (i.e., when in a one-sided market the Reference Price Range is

³⁷ Modifying the example above under the proposed Rule, if the Protected NBBO is \$10.15 x \$10.09 (crossed), and the IEX BBO is \$10.05 x \$10.10, the Reference Price Range would be equal to the IEX BBO. Pursuant to proposed Rule 11.350(a)(2), non-displayed orders to buy resting at their limit price on the Continuous Book between \$10.05 and \$10.09 would be priced to the IEX best bid of \$10.05 for purposes of determining the clearing price, which is consistent with User defined limit prices, as well as the Midpoint Price Constraint of \$10.09 (pursuant to Rule 11.190(h)(3)(D)(i)).

equal to either the Final Consolidated Last Sale Eligible Trade, Protected NBB, Protected NBO, IEX best bid, or IEX best offer) is designed with the same goal of avoiding unnecessary information leakage.

For example, if the Final Consolidated Last Sale Eligible Trade is \$10.20, the Protected NBBO is \$10.15 x \$10.09 (crossed), and the IEX BBO is \$10.05 x \$10.50 (beyond the Maximum Percentage), both the Protected NBBO and IEX BBO would be invalid. Thus, pursuant to Rule 11.350(a)(30), the Reference Price Range would be equal to the Final Consolidated Last Sale Eligible Trade of \$10.20, which is higher than the IEX best bid, (\$10.05) and lower than the IEX best offer (\$10.50).³⁸ Assuming IEX has non-displayed sell orders resting at a price more aggressive than the Reference Price Range between \$10.15 and \$10.19, such orders would be priced to \$10.20 for purposes of determining the clearing price. Pricing such sell orders more passively to \$10.20 for purposes of determining the clearing price would prevent such interest from pushing the Indicative Clearing Price³⁹ lower than the Reference Price, while the Auction Book Clearing Price⁴⁰ remains above the Reference Price. Ordinarily, one would expect the Reference Price to be more aggressive than both the Indicative Clearing Price and the Auction Book Clearing Price. However, in this example, because the Indicative Clearing Price is more aggressive than both the Reference Price and the Auction Book Clearing Price, IEX Auction Information would have signaled the presence, size, and side of the non-displayed orders resting on the Continuous Book between \$10.15 and \$10.19.

³⁸ Note, the Exchange evaluates the Final Last Sale Eligible Trade against the IEX BBO (even though it is beyond the Maximum Percentage) because the Protected NBBO is crossed, and therefore does not accurately reflect the market for the security.

³⁹ See Rule 11.350(a)(9)(E).

⁴⁰ See Rule 11.350(a)(9)(F).

However, because current Rule 11.350(a)(2) only addresses orders resting within the Reference Price Range, and the Reference Price Range in the example above is a single price, Rule 11.350(a)(2) does not specify how non-displayed buy (sell) orders on the Continuous Book resting with a price above (below) the Reference Price Range will be priced. Accordingly, the Exchange proposes to clarify that such order will be priced equal to the Reference Price Range for the purpose of determining the clearing price.

Furthermore, the Exchange is proposing to make a change to the language in Rule 11.350(a)(30)(C) in order to more clearly describe the method of calculating the Reference Price Range when both the Protected NBBO and IEX BBO are not valid. The fundamental purpose of existing Rule 11.350(a)(30)(C) is to constrain the Reference Price Range to prices that reflect the broader market for the security. With regard to the pricing of non-displayed buy (sell) orders resting on the Continuous Book, the upper (lower) threshold of the Reference Price Range is utilized as a passive benchmark to which such buy (sell) orders will be effectively pegged for purposes of determining the clearing price, in order to avoid information leakage as discussed above. Thus, as described above, the Reference Price Range is generally the Protected NBBO, or alternatively the IEX BBO, when such prices are valid. However, in the event both the Protected NBBO and IEX BBO are not valid, the Exchange determines what price—between the Final Consolidated Last Sale Eligible Trade, and the available Protected NBB and/or NBO, or IEX best bid and/or offer—best reflects the market for the security.

Current Rule 11.350(a)(30), however, pre-supposes that when evaluating subsection (C), the market is necessarily one-sided, and thus does not account for when the market is two-sided (i.e., when there is both a Protected NBB and Protected NBO,

and/or both an IEX best bid and best offer, neither of which are valid). Accordingly, the Exchange is proposing to amend Rule 11.350(a)(30)(C) to more clearly describe the method of determining the Reference Price Range when neither the Protected NBBO nor IEX BBO are valid and the market is one-sided. Additionally, the Exchange proposes to re-letter current sub-paragraph (D) of Rule 11.350(a)(30) as new sub-paragraph (E), and insert a new sub-paragraph (D) to clearly describe the method of determining the Reference Price Range when neither the Protected NBBO nor IEX BBO are valid and the market is two-sided.

Specifically, proposed Rule 11.350(a)(30)(C) clarifies that if there is neither a Valid Protected NBBO nor a Valid IEX BBO, and the market is one-sided, the Reference Price Range is equal to the price of the Final Consolidated Last Sale Eligible Trade, unless such price is:

- Lower than the Protected NBB, in which case the Reference Price Range shall be the price of the Protected NBB; or
- Higher than the Protected NBO, in which case the Reference Price Range shall be equal to the price of the Protected NBO.

Moreover, proposed Rule 11.350(a)(30)(D) clarifies that if there is neither a Valid Protected NBBO nor a Valid IEX BBO and the market is two-sided, the Reference Price Range is equal to the price of the Final Consolidated Last Sale Eligible Trade, unless:

- The Protected NBBO is not crossed and the price of the Final Consolidated Last Sale Eligible Trade is either:
 - Lower than the Protected NBB, in which case the Reference Price Range shall be equal to the price of the Protected NBB; or
 - Higher than the Protected NBO, in which case the Reference Price Range shall be equal to the price of the Protected NBO.
- The Protected NBBO is crossed and the price of the Final Consolidated Last Sale Eligible Trade is either:
 - Lower than the IEX best bid, in which case the Reference Price Range

shall be equal to the price of the IEX best bid; or

- Higher than the IEX best offer, in which case the Reference Price Range shall be equal to the price of the IEX best offer.

The Exchange believes the proposed modifications to Rule 11.350(a)(30) are designed to avoid any potential confusion regarding the Exchange's determination of the Reference Price Range, and therefore further clarifies the Exchange's handling of non-displayed interest resting on the Continuous Book within the Reference Price Range pursuant to Rule 11.350(a)(2).

Lastly, as announced in IEX Trading Alerts #2017-015 and #2017-046, the Exchange intends to become a primary listing exchange and support its first IEX-listed security in 2018.⁴¹ In addition, as part of the listings initiative, the Exchange is providing a series of industry wide weekend tests for the Exchange and its Members to exercise the various technology changes required to support IEX Auctions and listings functionality.⁴² Accordingly, the Exchange is proposing to clarify its handling of non-displayed orders resting on the Continuous Book within the Reference Price Range in advance of the industry wide testing period in order to avoid potential confusion, and allow Members

⁴¹ See [IEX Trading Alert #2017-015](#) (Listings Specifications, Testing Opportunities, and Timelines), May 31, 2017. See also [IEX Trading Alert #2017-046](#) (IEX Listings Timeline Update), originally published on Monday, October 30, 2017, and re-published on Tuesday, October 31, 2017.

⁴² See, e.g., [IEX Trading Alert #2017-028](#) (First Listings Functionality Industry Test on Saturday, August 26), August 17, 2017; [IEX Trading Alert #2017-037](#) (Second Listings Functionality Industry Test on Saturday, September 9), September 7, 2017; [IEX Trading Alert #2017-039](#) (Third Listings Functionality Industry Test on Saturday, September 23), September 18, 2017; [IEX Trading Alert #2017-040](#) (Rescheduled 4th Listing Functionality Industry Test), September 29, 2017; [IEX Trading Alert #2017-046](#) (IEX Listings Timeline Update), originally published on Monday, October 30, 2017, and re-published on Tuesday, October 31, 2017; and [IEX Trading Alert #2017-047](#) (Fourth Listings Functionality Industry Test on Saturday, November 4), October 31, 2017.

and other market participants time to develop, test, and deploy any necessary changes to support such handling.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)⁴³ of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act⁴⁴ 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.

The Exchange believes that the proposed rule changes regarding the handling of non-displayed orders resting on the Continuous Book within the Reference Price Range, as well as non-displayed buy (sell) orders on the Continuous Book resting with a price above (below) the Reference Price Range in one-sided markets, are consistent with the protection of investors and the public interest in that they do not substantially alter the substantive functionality governing the pricing of such orders for the Opening and Closing Auction. Specifically, as discussed above, the proposed rules are designed to achieve the Exchange's existing objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the Exchanges existing rules regarding pricing constraints (i.e., any User defined limit price, and the Midpoint Price Constraint).

Furthermore, the Exchange believes the proposed rule changes are consistent with the protection of investors and the public interest in that they are designed to avoid any

⁴³ 15 U.S.C. 78f.

⁴⁴ 15 U.S.C. 78f(b)(5).

potential confusion regarding the Exchange's handling of orders for Opening and Closing Auctions as IEX continues industry-wide testing to exercise the technology changes being made by the Exchange and its Members to support IEX as a primary listing exchange. Additionally, the Exchange believes the proposed change to rule 11.350(a)(30)(C) to more clearly describe the method of calculating the Reference Price Range is consistent with the Act and the protection of investors and the public interest, because as described above, it is designed to make IEX's rules more complete, and descriptive of the System's functionality to avoid any potential confusion among Members and market participants regarding such functionality. Furthermore, the Exchange believes that by enhancing the clarity regarding the method of deriving the Reference Price Range, the proposed rule change compliments the rule changes regarding the pricing of non-displayed orders resting on the Continuous Book within the Reference Price Range.

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

IEX does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed correction does not impact inter-market competition in any respect since it is designed to achieve the Exchange's existing design objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the Exchanges existing rules regarding pricing constraints (i.e., any User defined limit price, and the Midpoint Price Constraint), without substantially altering the substantive functionality governing the pricing of such orders for the Opening and Closing Auction.

Thus, the Exchange believes there are no new inter-market competitive burdens imposed as a result of the proposed rule changes.

In addition, the Exchange does not believe that the proposed changes will have any impact on intra-market competition. Specifically, as discussed above, the proposed rule changes do not substantively alter the functionality governing the Opening and Closing Auctions, and instead are designed to achieve the Exchange's existing design objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the Exchange's existing rules regarding pricing constraints (i.e., any User defined limit price, and the Midpoint Price Constraint). Furthermore, the Exchange believes the proposed rule changes are designed to make IEX's rules more complete, and descriptive of the System's functionality to avoid any potential confusion among Members and market participants regarding such functionality, to the benefit of all market participants. Lastly, the Exchange notes that the proposed changes will apply to all Members on a fair and equal basis. Accordingly, the Exchange believes there are no new intra-market competitive burdens imposed as a result of the proposed rule changes.

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)⁴⁵ of the Act and Rule 19b-4(f)(6)⁴⁶ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)⁴⁷ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),⁴⁸ 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. As discussed above, the Exchange believes that the proposed rule changes are consistent with the protection of investors and the public interest in that they do not substantially alter the substantive functionality governing the pricing of such orders for the Opening and Closing Auction. Specifically, as discussed above, the proposed rules are designed to achieve the Exchange's existing objective of preserving the anonymity of non-displayed orders resting on the Continuous Book, and resolve an inconsistency between the handling of such orders and the Exchanges existing rules regarding pricing constraints (i.e., any User defined limit price, and the Midpoint Price Constraint). Moreover, the Exchange believes there are no intra-market competitive burdens imposed as a result of the proposed rule changes because, as discussed above, the proposed rules will apply to all Members on a fair and equal basis.

⁴⁵ 15 U.S.C. 78s(b)(3)(A).

⁴⁶ 17 CFR 240.19b-4(f)(6).

⁴⁷ 17 CFR 240.19b-4(f)(6).

⁴⁸ 17 CFR 240.19b-4(f)(6)(iii).

Therefore, the Exchange believes that waiver of the operative delay is consistent with the protection of investors and the public interest in that the proposed changes do not raise any new or novel issues that the Commission has not already considered.

Furthermore, the Exchange believes the proposed rule changes are consistent with the protection of investors and the public interest in that they are designed to avoid any potential confusion regarding the Exchange's handling of orders for Opening and Closing Auctions. Additionally, the Exchange believes the proposed change to rule 11.350(a)(30)(C) to more clearly describe the method of calculating the Reference Price Range is consistent with the Act and the protection of investors and the public interest, because as described above, it is designed to make IEX's rules more complete, and descriptive of the System's functionality to avoid any potential confusion among Members and market participants regarding such functionality. Moreover, the Exchange believes that by enhancing the clarity regarding the method of deriving the Reference Price Range, the proposed rule change compliments the rule changes regarding the pricing of non-displayed orders resting on the Continuous Book within the Reference Price Range.

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 Exchange to implement the proposed changes as IEX continues industry-wide testing to exercise the technology changes being made by the Exchange and its Members to support IEX as a listings market.

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)⁴⁹ of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-IEX-2018-03 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-2018-03. This file number should be included in the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

⁴⁹ 15 U.S.C. 78s(b)(2)(B).

with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549-1090. Copies of the filing will also be available for inspection and copying at the IEX's principal office and on its Internet website at www.iextrading.com. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-IEX-2018-03 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.⁵⁰

⁵⁰ 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

CHAPTER 11. TRADING RULES

Rule 11.350. Auctions.

(a) Definitions.

(1) No change.

(2) The term “Auction Eligible Order” shall mean all orders that are eligible for execution in the upcoming auction on the Auction Book and the Continuous Book (collectively, the Order Book) and are not Auction Ineligible Orders; such orders are used by the System to calculate IEX Auction Information and to determine the clearing price of IEX Auctions. For Opening or Closing Auctions, non-displayed buy (sell) orders on the Continuous Book with a resting price (as defined in IEX Rule 11.350(b)(1)(A)(i)) within the Reference Price Range will be priced at the lower (upper) threshold of the Reference Price Range[at the Protected NBB (NBO)] for the purpose of determining the clearing price, but will be ranked and eligible for execution in the Opening or Closing Auction match at the order’s resting price. If the Reference Price Range is a single price, non-displayed buy (sell) orders on the Continuous Book with a resting price above (below) the Reference Price Range will be priced equal to the Reference Price Range for the purpose of determining the clearing price, but will be ranked and eligible for execution in the Opening or Closing Auction match at the order's resting price.

(3) – (29) No change.

(30) The term “Reference Price Range” is in reference to, for a Volatility Auction, the prices between and including the applicable Volatility Auction Collar, or, for an Opening or Closing Auction, the prices between and including the Protected NBB and Protected NBO for a particular security where the Protected NBBO is a Valid Protected NBBO.

(A) The Protected NBBO is a “Valid Protected NBBO” where:

- (i) There is both a Protected NBB and Protected NBO for the security;
 - (ii) The Protected NBBO is not crossed; and
 - (iii) The midpoint of the Protected NBBO is less than or equal to the Maximum Percentage away from both the Protected NBB and the Protected NBO.
- (B) Where the Protected NBBO is not a Valid Protected NBBO, the IEX BBO will be used where the IEX BBO is a Valid IEX BBO.
- (i) The IEX BBO is a “Valid IEX BBO” where:
 - (a) There is both an IEX best bid and an IEX best offer for the security; and
 - (b) The midpoint of the IEX BBO is less than or equal to the Maximum Percentage away from both the IEX best bid and the IEX best offer.
- (C) If there is neither a Valid Protected NBBO nor a Valid IEX BBO[,] and the market is one-sided, the Reference Price Range shall be equal to the price of the Final Consolidated Last Sale Eligible Trade, unless such price is[set to the higher (lower) price of the following]:
- (i) Lower than the Protected NBB, in which case the Reference Price Range shall be equal to the price of the Protected NBB[the Final Consolidated Last Sale Eligible Trade]; or
 - (ii) Higher than the Protected NBO, in which case the Reference Price Range shall be equal to the price of the Protected NBO[the Protected NBB (NBO), if not crossed, or the IEX best bid (offer)].
- (D) If there is neither a Valid Protected NBBO nor a Valid IEX BBO and the market is two-sided, the Reference Price Range shall be equal to the price of the Final Consolidated Last Sale Eligible Trade, unless:
- (i) The Protected NBBO is not crossed and the price of the Final Consolidated Last Sale Eligible Trade is either:
 - (a) Lower than the Protected NBB, in which case the Reference Price Range shall be equal to the price of the Protected NBB; or
 - (b) Higher than the Protected NBO, in which case the Reference Price

Range shall be equal to the price of the Protected NBO.

(ii) The Protected NBBO is crossed and the price of the Final Consolidated Last Sale Eligible Trade is either:

(a) Lower than the IEX best bid, in which case the Reference Price Range shall be equal to the price of the IEX best bid; or

(b) Higher than the IEX best offer, in which case the Reference Price Range shall be equal to the price of the IEX best offer.

(E[D]) If there is neither a Protected NBBO nor an IEX BBO (i.e., a zero-sided market), the Reference Price Range will be the Final Consolidated Last Sale Eligible Trade.

(31)-(33) No change.

(b) – (j) No change.
