

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

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

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|---|--|
| 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"/> | |

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

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

Proposed rule change to amend Rule 11.420 concerning the OATS requirements to make conforming and technical changes.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

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

Signature

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

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

(Title *)

| | |
|--------------------|--------------------------|
| Date 06/20/2018 | Chief Regulatory Officer |
| By Claudia Crowley | |
| (Name *) | |

claudia.crowley@iextrading.com

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

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

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

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

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

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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

Add Remove View

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

Partial Amendment

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

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 11.420 concerning the Order Audit Trail System (“OATS”) requirements to make conforming and technical changes. The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act³ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁴

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

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

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

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

a. Purpose

The Exchange is proposing to make three changes to Rule 11.420 related to OATS reporting requirements to (1) amend Rule 11.420(a)(13) to permit members to route orders to two Reporting Members for a defined period of time provided certain conditions are met without losing the exception from the definition of "Reporting Member" in conformance to comparable provisions of the Financial Industry Regulatory Authority ("FINRA") Rule 7410; (2) amend rule citations in Rule 11.420(c) to correct citation to FINRA Rule 7430 to FINRA Rule 4590; and (3) amend the rule reference in Rule 11.420(g) to correct the reference to FINRA Rule 7470A to FINRA Rule 7470. Each proposed change is described below.

First Change

IEX Rule 11.420 imposes an obligation on Exchange Members to record in electronic form and report to FINRA on a daily basis certain information with respect to orders originated, received, transmitted, modified, cancelled or executed by Exchange Members in securities traded on IEX. FINRA's OATS captures this order information and integrates it with quote and transaction information to create a time-sequenced record

of orders, quotes and transactions. This information is used by FINRA staff to conduct surveillance and investigations of IEX Members (and members of FINRA and certain other national securities exchanges) for potential violation of Exchange rules (or rules of another national securities exchange in the case of a member of such exchange), federal securities laws, and FINRA rules.

In general, IEX Rule 11.420 applies to any IEX Member that is a “Reporting Member,” which is defined in IEX Rule 11.420(a)(13) as a Member that receives or originates an order and has an obligation to record and report information under IEX Rule 11.420(d) and 11.420(e). However, under Rule 11.420(a)(13)(A) a Member is not considered a Reporting Member in connection with an order if the following four criteria are met:

- The Member engages in non-discretionary order routing process, pursuant to which it immediately routes, by electronic or other means, all of its orders to a single receiving Reporting Member;
- the Member does not direct and does not maintain control over subsequent routing or execution by the receiving Reporting Member;
- the receiving Reporting Member records and reports all information required under IEX Rules 11.420(d) and 11.420(e) with respect to the order; and
- the Member has a written agreement with the receiving Reporting Member specifying the respective functions and responsibilities of each party to effect full compliance with the requirements of IEX Rules 11.420(d) and 11.420(e).

On May 12, 2014, FINRA amended FINRA Rule 7410(o)(1)(A) to allow a member to route its orders to two receiving Reporting Members, if two conditions were

met.⁵ First, the orders are routed by the member to each receiving Reporting Member on a predetermined schedule approved by FINRA. Second, the FINRA member's orders are routed to two receiving Reporting Members pursuant to the schedule for a time period not to exceed one year. The rule change permits FINRA members to continue to rely on the exception from the definition of Reporting Member if, for a limited time, the member routes orders to two different Reporting Members, provided the criteria are met. FINRA noted in adopting the change that the rule was intended to accommodate introducing firms that transition to a different clearing firm over time and, during the transition, route their orders to two different clearing firms, both of which report the introducing firm's information to OATS during the transition time.⁶ The Nasdaq Stock Market LLC ("Nasdaq") recently amended its rules to conform to this FINRA rule change.⁷ The Exchange believes that this additional limited exception is appropriate for its Members, which likewise may encounter a transition to a clearing firm whereby it would no longer be eligible for the exception to the definition of Reporting Member. Accordingly, the Exchange is proposing to amend Rule 11.420(a)(13).

Second Change

The Exchange is proposing to correct a rule citation in Rule 11.420(c), which specifies the requirements for synchronization of Member business clocks, and states that IEX Members shall comply with FINRA Rule 7430 as if such Rule were part of IEX's Rules. There is no FINRA Rule 7430, but rather the appropriate FINRA rule to cite to is FINRA Rule 4590 "Synchronization of Member Business Clocks." The Exchange also

⁵ See Securities Exchange Act Release No. 72191 (May 20, 2014), 79 FR 30219 (May 27, 2014) (SR-FINRA-2014-024).

⁶ *Id.* At 30220.

⁷ See Nasdaq Rule 7410A(o)(1)(A)(ii). See also Securities Exchange Act Release No. 83115 (April 26, 2018), 83 FR 19384 (May 2, 2018) (SR-NASDAQ-2018-030).

notes that Nasdaq recently made a comparable change to Nasdaq Rule 7430A.⁸

Accordingly, the Exchange proposes to correct the erroneous citation in Rule 11.420(c).

Third Change

The Exchange is proposing to correct a rule citation in Rule 11.420(g), which provides that IEX may grant an exemption to the OATS order recording and data transmission requirements to a Member under specified circumstances. The title to the rule subsection incorrectly references FINRA Rule 7470A. There is no FINRA Rule 7470A, but rather the appropriate FINRA rule to reference is FINRA Rule 7470 “Exemption to the Order Recording and Data Transmission Requirement.” Accordingly, the Exchange proposes to correct the erroneous reference in Rule 11.420(g).

b. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)⁹ of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁰ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest by harmonizing the Exchange’s OATS rules with those of FINRA, on which they are based. Consequently, the proposed changes will conform Exchange rules to changes made to corresponding FINRA rules, thus promoting application of consistent regulatory standards with respect to rules that FINRA enforces pursuant to its regulatory services agreement with the Exchange. With

⁸ See supra note **Error! Bookmark not defined.**

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(5).

respect to the proposed amendment to Rule 11.420(a)(13)(A), the exemption will provide Exchange members the same flexibility to transition to a new clearing firm that FINRA members enjoy. The rule is intended to accommodate introducing firms that transition to a different clearing firm over time and, during the transition, route their orders to two different clearing firms, both of which report the introducing firm's information to OATS during the transition time. Further, the change will also align the Exchange rulebook with FINRA's in this regard, thereby eliminating potential complexity from FINRA's work under a regulatory services agreement with the Exchange.

With respect to the technical corrections to Rules 11.420(c) and 11.420(g), the Exchange believes that these changes are consistent with the Act because they will prevent investor confusion that may be caused by incorrect rule citations in the Rules.

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

IEEX 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 changes align the Exchange's rules with those of FINRA, which will assist it in its oversight work done pursuant to a regulatory services agreement, and makes technical corrections to the rules. Consequently, the Exchange does not believe that the proposed changes implicate competition at all.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

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

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

The Exchange believes that this filing is non-controversial because it raises no novel issues and is consistent with FINRA rules previously approved by or filed with the Commission. In particular, the purpose of the proposed rule change is to harmonize with and conform to FINRA rules. The Exchange believes that the proposal promotes the protection of investors as it will harmonize the Exchange's rules concerning OATS with those of FINRA, which will simplify the oversight process conducted by FINRA pursuant to a regulatory services agreement with the Exchange. Moreover, because the proposed changes align the Exchange's rules with those of FINRA, which will assist it in its oversight work done pursuant to a regulatory services agreement, and make technical corrections to the rules, the Exchange does not believe that the proposed changes implicate competition at all.

Accordingly, the Exchange believes that this proposed rule change is eligible for

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4.

¹³ 17 CFR 240.19b-4(f)(6)(iii).

immediately effective treatment under the Commission's current procedures for processing rule filings.¹⁴

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. Waiving the 30-day delay would permit the Exchange to harmonize its rules with FINRA, as described herein, upon effectiveness of the proposed rule filing. As IEX is harmonizing its OATS rules with those of FINRA, on which they are based, the proposed change does not present any new or novel issues. Further, waiver of the operative delay will avoid any potential confusion that may otherwise occur on the part of IEX Members as to the applicable OATS requirements.

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

The proposed rule change is based on FINRA Rules 4590, 7410 and 7470, and Nasdaq Rules 7410A(o)(1)(A) and 7430A, each as described in the Purpose section.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and

¹⁴ See Securities Exchange Act Release No. 58092 (July 3, 2008), 73 FR 40144 (July 11, 2008) (concerning 17 CFR 200 and 241).

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-2018-12)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 11.420 Concerning the Order Audit Trail System Requirements to Make Conforming and Technical Changes.

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 Act,⁴ and Rule 19b-4 thereunder,⁵ the Exchange is filing with the Commission a proposed rule change to amend Rule 11.420 concerning the Order Audit Trail System (“OATS”) requirements to make conforming and technical changes. The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act⁶ and provided 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.

⁶ 15 U.S.C. 78s(b)(3)(A).

Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁷

The text of the proposed rule change is available at the Exchange's website at www.iextrading.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statement may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange is proposing to make three changes to Rule 11.420 related to OATS reporting requirements to (1) amend Rule 11.420(a)(13) to permit members to route orders to two Reporting Members for a defined period of time provided certain conditions are met without losing the exception from the definition of "Reporting Member" in conformance to comparable provisions of the Financial Industry Regulatory Authority ("FINRA") Rule 7410; (2) amend rule citations in Rule 11.420(c) to correct citation to FINRA Rule 7430 to FINRA Rule 4590; and (3) amend the rule reference in Rule 11.420(g) to correct the reference to FINRA Rule 7470A to FINRA Rule 7470.

Each proposed change is described below.

⁷ 17 CFR 240.19b-4.

First Change

IEX Rule 11.420 imposes an obligation on Exchange Members to record in electronic form and report to FINRA on a daily basis certain information with respect to orders originated, received, transmitted, modified, cancelled or executed by Exchange Members in securities traded on IEX. FINRA's OATS captures this order information and integrates it with quote and transaction information to create a time-sequenced record of orders, quotes and transactions. This information is used by FINRA staff to conduct surveillance and investigations of IEX Members (and members of FINRA and certain other national securities exchanges) for potential violation of Exchange rules (or rules of another national securities exchange in the case of a member of such exchange), federal securities laws, and FINRA rules.

In general, IEX Rule 11.420 applies to any IEX Member that is a "Reporting Member," which is defined in IEX Rule 11.420(a)(13) as a Member that receives or originates an order and has an obligation to record and report information under IEX Rule 11.420(d) and 11.420(e). However, under Rule 11.420(a)(13)(A) a Member is not considered a Reporting Member in connection with an order if the following four criteria are met:

- The Member engages in non-discretionary order routing process, pursuant to which it immediately routes, by electronic or other means, all of its orders to a single receiving Reporting Member;
- the Member does not direct and does not maintain control over subsequent routing or execution by the receiving Reporting Member;
- the receiving Reporting Member records and reports all information required

under IEX Rules 11.420(d) and 11.420(e) with respect to the order; and

- the Member has a written agreement with the receiving Reporting Member specifying the respective functions and responsibilities of each party to effect full compliance with the requirements of IEX Rules 11.420(d) and 11.420(e).

On May 12, 2014, FINRA amended FINRA Rule 7410(o)(1)(A) to allow a member to route its orders to two receiving Reporting Members, if two conditions were met.⁸ First, the orders are routed by the member to each receiving Reporting Member on a predetermined schedule approved by FINRA. Second, the FINRA member's orders are routed to two receiving Reporting Members pursuant to the schedule for a time period not to exceed one year. The rule change permits FINRA members to continue to rely on the exception from the definition of Reporting Member if, for a limited time, the member routes orders to two different Reporting Members, provided the criteria are met. FINRA noted in adopting the change that the rule was intended to accommodate introducing firms that transition to a different clearing firm over time and, during the transition, route their orders to two different clearing firms, both of which report the introducing firm's information to OATS during the transition time.⁹ The Nasdaq Stock Market LLC ("Nasdaq") recently amended its rules to conform to this FINRA rule change.¹⁰ The Exchange believes that this additional limited exception is appropriate for its Members, which likewise may encounter a transition to a clearing firm whereby it would no longer be eligible for the exception to the definition of Reporting Member. Accordingly, the

⁸ See Securities Exchange Act Release No. 72191 (May 20, 2014), 79 FR 30219 (May 27, 2014) (SR-FINRA-2014-024).

⁹ *Id.* At 30220.

¹⁰ See Nasdaq Rule 7410A(o)(1)(A)(ii). See also Securities Exchange Act Release No. 83115 (April 26, 2018), 83 FR 19384 (May 2, 2018) (SR-NASDAQ-2018-030).

Exchange is proposing to amend Rule 11.420(a)(13).

Second Change

The Exchange is proposing to correct a rule citation in Rule 11.420(c), which specifies the requirements for synchronization of Member business clocks, and states that IEX Members shall comply with FINRA Rule 7430 as if such Rule were part of IEX's Rules. There is no FINRA Rule 7430, but rather the appropriate FINRA rule to cite to is FINRA Rule 4590 "Synchronization of Member Business Clocks." The Exchange also notes that Nasdaq recently made a comparable change to Nasdaq Rule 7430A.¹¹ Accordingly, the Exchange proposes to correct the erroneous citation in Rule 11.420(c).

Third Change

The Exchange is proposing to correct a rule citation in Rule 11.420(g), which provides that IEX may grant an exemption to the OATS order recording and data transmission requirements to a Member under specified circumstances. The title to the rule subsection incorrectly references FINRA Rule 7470A. There is no FINRA Rule 7470A, but rather the appropriate FINRA rule to reference is FINRA Rule 7470 "Exemption to the Order Recording and Data Transmission Requirement." Accordingly, the Exchange proposes to correct the erroneous reference in Rule 11.420(g).

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)¹² of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act¹³ 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

¹¹ See supra note **Error! Bookmark not defined.**

¹² 15 U.S.C. 78f.

¹³ 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 by harmonizing the Exchange's OATS rules with those of FINRA, on which they are based. Consequently, the proposed changes will conform Exchange rules to changes made to corresponding FINRA rules, thus promoting application of consistent regulatory standards with respect to rules that FINRA enforces pursuant to its regulatory services agreement with the Exchange. With respect to the proposed amendment to Rule 11.420(a)(13)(A), the exemption will provide Exchange members the same flexibility to transition to a new clearing firm that FINRA members enjoy. The rule is intended to accommodate introducing firms that transition to a different clearing firm over time and, during the transition, route their orders to two different clearing firms, both of which report the introducing firm's information to OATS during the transition time. Further, the change will also align the Exchange rulebook with FINRA's in this regard, thereby eliminating potential complexity from FINRA's work under a regulatory services agreement with the Exchange.

With respect to the technical corrections to Rules 11.420(c) and 11.420(g), the Exchange believes that these changes are consistent with the Act because they will prevent investor confusion that may be caused by incorrect rule citations in the Rules.

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 changes align the Exchange's rules with those of FINRA, which will assist it in its oversight work done pursuant to a regulatory services agreement, and makes technical corrections to the rules. Consequently, the Exchange does not believe that the

proposed changes implicate competition at all.

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

Written comments were neither solicited nor received.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A)¹⁴ of the Act and Rule 19b-4(f)(6)¹⁵ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)¹⁶ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹⁷ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay.

The Exchange respectfully requested that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. Waiving the 30-day delay would permit the Exchange to harmonize its rules with FINRA, as described herein, upon effectiveness of the proposed rule filing.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

As IEX is harmonizing its OATS rules with those of FINRA, on which they are based, the proposed change does not present any new or novel issues. Further, waiver of the operative delay will avoid any potential confusion that may otherwise occur on the part of IEX Members as to the applicable OATS requirements.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹⁸ of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- 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-2018-12 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and

¹⁸ 15 U.S.C. 78s(b)(2)(B).

Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-IEX-2018-12. This file number should be included in the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549-1090. Copies of the filing will also be available for inspection and copying at the IEX's principal office and on its Internet website at www.iextrading.com. All comments received will be posted without change. 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-2018-12 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

¹⁹ 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

Rule 11.420. Order Audit Trail System Requirements

(a) Definitions

- (1) (12) No change.
- (13) "Reporting Member" shall mean a Member that receives or originates an order and has an obligation to record and report information under IEX Rules 11.420(d) and 11.420(e).
- (A) A Member shall not be considered a Reporting Member in connection with an order, if the following conditions are met:
- (i) the Member engages in a non-discretionary order routing process, pursuant to which it immediately routes, by electronic or other means, all of its orders to[a single receiving Reporting Member;]:
 - (a) a single receiving Reporting Member; or
 - (b) two receiving Reporting Members, provided:
 - 1. orders are routed by the Member to each receiving Reporting Member on a pre-determined schedule approved by FINRA; and
 - 2. orders are routed to two receiving Reporting Members pursuant to the schedule for a time period not to exceed one year; and
 - (ii) the Member does not direct and does not maintain control over subsequent routing or execution by the receiving Reporting Member(s);
 - (iii) the receiving Reporting Member(s) record(s) and report(s) all information required under IEX Rules 11.420(d) and 11.420(e) with respect to the order; and
 - (iv) the Member has a written agreement with the receiving Reporting Member(s) specifying the respective functions and responsibilities of each party to effect full compliance with the requirements of IEX Rules 11.420(d) and 11.420(e).

(14) No change.

(b) No change.

(c) Synchronization of Member Business Clocks

(1) IEX Members shall comply with FINRA Rule [7430] 4590 as if such Rule were part of IEX's Rules.

(2) For purposes of this IEX Rule 11.420, references to "the FINRA By-Laws or other FINRA rules" shall be construed as references to "the IEX Rules."

(d) – (f) No change.

(g) FINRA 7470[A] Exemption to the Order Recording and Data Transmission Requirements

(1) and (2) No change.
