

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 26	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 18	Amendment No. (req. for Amendments *)
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Filing by Investors' Exchange LLC  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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 \*).

Proposed rule change to amend the definition of the Cross Price Constraint utilized in the opening process for non-IX-listed securities pursuant to Rule 11.231

**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 08/09/2018	Regulation Associate
By James Mollen	<input style="width: 100%;" type="text"/>
(Name *)	<input type="button" 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 \***

Add Remove View

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

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

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

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

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the definition of the Cross Price Constraint utilized in the opening process for non-IEX-listed securities pursuant to Rule 11.231. The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act<sup>3</sup> and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.<sup>4</sup>

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.

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 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

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

#### Background

The purpose of this proposed rule change is to amend the definition of the Cross Price Constraint utilized in the opening process for non-IEX-listed securities pursuant to Rule 11.231. On July 24, 2017, the Commission approved a proposed rule change filed by the Exchange to amend IEX Rule 11.231 to modify the manner in which the Exchange opens trading for non-IEX-listed securities beginning at the start of Regular Market Hours (the "Opening Process").<sup>5</sup>

#### Opening Process for Non-IEX-Listed Securities

Pursuant to Rule 11.231, the Exchange attempts to perform the Opening Process in each non-IEX-listed security, in which all eligible interest resting on the Order Book in the Pre-Market Session available for continuous trading (*i.e.*, orders on the "Continuous Book") as well as all eligible interest queued for execution in the Regular Market Session (*i.e.*, orders on the "Cross Book") are executed at a single price (the "Opening Match"). Prior to the beginning of Regular Market Hours, Users who wish to participate in the

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<sup>5</sup> See Securities Exchange Act Release No. 81195 (July 24, 2017), 82 FR 35250 (July 28, 2017).

Opening Process may enter limit, market, and pegged orders designated with a time-in-force of DAY and limit orders designated with a time-in-force of GTX, which shall queue in the System and are eligible for execution in the Opening Process (orders on the Cross Book); interest resting on the Order Book in the Pre-Market Session available for continuous trading (i.e., orders on the Continuous Book) are also eligible for execution in the Opening Process (collectively, “Cross Eligible Orders”).

Cross Eligible Orders resting on the Continuous Book are ranked by the price at which they are resting on the Continuous Book and Cross Eligible Orders resting on the Cross Book are ranked by the limit price defined by the User, if any, except in the case of pegged orders, which are ranked by their current book price (in each case, the order’s “resting price”).<sup>6</sup>

#### IEX Order Collar

Rule 11.190(f)(1) sets forth the operation of the IEX Order Collar. Except for orders that are eligible for the Cross Book, the IEX Order Collar prevents any incoming order (including those marked ISO), or order resting on the Order Book, from executing at prices outside of the Order Collar price range.<sup>7</sup> The Order Collar price range is calculated by applying the numerical guidelines for clearly erroneous executions to the Order Collar Reference Price.<sup>8</sup> The Order Collar Reference Price is defined as the most current of the following:<sup>9</sup>

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<sup>6</sup> See Rule 11.220(a)(2). See also Rule 11.231(a)(1).

<sup>7</sup> See Rule 11.190(f)(1) for a complete description of the IEX Order Collar.

<sup>8</sup> The upper (lower) Order Collar price range is calculated by adding (subtracting) the appropriate percentage (consistent with the numerical guidelines for clearly erroneous executions) to the Order Collar Reference Price.

<sup>9</sup> In the event there is no valid Order Collar Reference Price, the Exchange generally rejects orders for the security. See Rule 11.190(f)(1).

- The consolidated last sale price disseminated during the Regular Market Session on the current trade date;
- Last trade price disseminated outside of the Regular Market Session (Form T, as communicated by the relevant SIP) on trade date which other than for the Form T designation would have been considered a valid last sale price; or
- If neither of the prices above are available, the prior days Official Closing Price from the listing exchange, adjusted to account for corporate actions, news events, etc.<sup>10</sup>

#### Proposed Changes

The Exchange recently identified a minor omission in the Cross Price Constraint rule provisions with respect to manner in which the IEX Order Collar price range applies. Specifically, as described above, the Exchange does not apply the IEX Order Collar to orders eligible for the Cross Book so that it does not impact their relative priority of execution.<sup>11</sup> However, while the IEX Order Collar does not apply to orders eligible for the Cross Book, the current implementation of the Cross Price Constraint mechanism is in fact adjusted by the IEX Order Collar price range in limited circumstances when the upper or lower threshold of such price is less aggressive than the upper or lower threshold of the Cross Price Constraint, respectively. In other words, if the Away Protected NBB is below the lower threshold of the IEX Order Collar price range, or the Away Protected NBO is above the upper threshold of the IEX Order Collar price range, the Opening Process execution is constrained by the upper and/or lower thresholds of the IEX Order Collar. Adjusting the Cross Price Constraint by the IEX Order Collar price range does not impact the relative priority of orders eligible for the Cross Book because the

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<sup>10</sup> See Rule 11.190(f)(1)(A).

<sup>11</sup> See Securities Exchange Act Release No. 81662 (September 20, 2017), 82 FR 44861 (September 26, 2017)(SR-IEX-2017-31), a proposed rule change to clarify the inapplicability of the Exchange's Order Collar and Router Constraint to certain orders that are eligible for participation in the opening process for non-IEX-listed securities pursuant to Rule 11.231, or for auctions in IEX-listed securities pursuant to Rule 11.350.

constraint is not applied at the order level but instead to the cross price, in connection with the Opening Match.

Based on the foregoing, the Exchange believes the existing Cross Price Constraint definition should explicitly account for the IEX Order Collar price range. Accordingly, the Exchange is proposing to amend rule 11.231(c)(1)(iii) to explicitly state that the Cross Price Constraint is adjusted by the IEX Order Collar price range, as described below:

- The upper threshold price of the Cross Price Constraint is equal to the lesser of the price of the Away Protected NBO or the upper threshold of the Order Collar price range for the Regular Market Session, calculated pursuant to Rule 11.190(f)(1)(C), except in the event that an Away Protected Bid is crossing an Away Protected Offer, the upper threshold price is equal to the greater of five cents (\$0.05) or one half of a percent (0.5%) higher than the lowest Away Protected Offer; and
- The lower threshold price of the Cross Price Constraint is equal to the greater of the price of the Away Protected NBB or the lower threshold of the Order Collar price range for the Regular Market Session, calculated pursuant to Rule 11.190(f)(1)(C), except in the event that an Away Protected Bid is crossing an Away Protected Offer, the lower threshold price is equal to the greater of five cents (\$0.05) or one half of a percent (0.5%) lower than the highest Away Protected Bid.<sup>12</sup>

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<sup>12</sup> Rule 11.231(b)(2) states in relevant part that an imbalance of Cross Eligible Orders on the buy side or sell side may result in orders that are not executed in whole or in part. Thus, as part of the transition to the Regular Market Session (see Rule 1.160(gg)), unexecuted Cross Eligible Orders to buy (sell) that are priced at or above (below) the Cross Price Constraint (but remain unexecuted due to an imbalance of Cross Eligible Orders) will price slide pursuant to IEX Rule 11.190(h) and all remaining unexecuted Cross Eligible Orders, along with any orders that were either ineligible to participate in the Opening Process or too passive to be executed in the Opening Process, will be released to the Order Book for continuous trading or canceled in accordance with the terms of the order. Thus, the Exchange notes that when the Cross Price Constraint is narrowed because the Away Protected NBB is below the lower threshold of the IEX Order Collar price range, or the Away Protected NBO is above the upper threshold of the IEX Order Collar price range, there may be a smaller quantity of shares executed in the Opening Process, which may result in a larger quantity of unexecuted Cross Eligible Order shares that are priced equal to or more aggressively than the more narrow Cross Price Constraint (as proposed) transitioning to the RMS and price sliding

b. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)<sup>13</sup> of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>14</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to 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 it is consistent with the protection of investors and the public interest to constrain the Opening Process match by the IEX Order Collar price range because executions outside of the Order Collar price range are significantly dislocated from recent trading activity (as measured by the Order Collar Reference Price), and often are the result of erroneous system processing or manual trading errors. The Exchange also notes that executions outside of the IEX Order Collar price range often meet the clearly erroneous criteria, and are therefore eligible to be reviewed for cancellation pursuant to Rule 11.270. Thus, the Exchange believes that applying the IEX Order Collar to the cross price in connection with the Opening Match is consistent with the protection of investors and the public interest because it is designed to prevent executions at dislocated prices that are significantly dislocated from recent trading activity, and may be canceled pursuant to Rule 11.270.

Furthermore, the Exchange believes that the proposed rule change does not

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pursuant to Rule 11.190(h), or canceling pursuant to the terms of the order, as applicable.

<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(5).

materially alter the Opening Process, because the Opening Process match is already subject to the Cross Price Constraint. Instead, the Exchange believes the proposed changes are designed to make the Cross Price Constraint definition more robust by accounting for the rare scenarios where the Away Protected NBB is below the lower threshold of the IEX Order Collar price range, or the Away Protected NBO is above the upper threshold of the IEX Order Collar price range (i.e., when the spread between the Away Protected NBBO is excessively wide, such that it may not reflect the market for the security). The Exchange further believes that the proposed rule changes are consistent with the protection of investors and the public interest because the proposed changes are designed to avoid any potential confusion regarding the Opening Process functionality, and to make the Exchange's rules more accurate, complete, and descriptive of the System's functionality.

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

IEX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed changes do not impact competition in any respect since it is designed to avoid any potential confusion regarding the Opening Process functionality, and to make the Exchange's rules more accurate, complete, and descriptive of the System's functionality without materially changing the Opening Process. In addition, the Exchange believes there will be no impact on intra-market competition, as the proposed changes will apply equally to all Members and therefore no new burdens are being proposed. Furthermore, the Exchange believes there will be no impact on intra-market competition because as discussed above, the proposed changes to

the Cross Price Constraint do not impact the relative execution priority of orders eligible for the Cross Book, as the constraint is not applied at the order level but instead to the cross price in connection with the Opening Match.

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 Act<sup>15</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>16</sup> 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.<sup>17</sup>

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4<sup>18</sup> because it would not significantly affect the

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 17 CFR 240.19b-4.

<sup>17</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>18</sup> 17 CFR 240.19b-4(f)(6).

protection of investors or the public interest. Rather, the proposed rule change neither significantly affects the protection of investors or the public interest, nor does it impose any burden on competition in that the purpose of the rule change is to make the Cross Price Constraint definition more robust by accounting for the rare scenarios where the Away Protected NBB is below the lower threshold of the IEX Order Collar price range, or the Away Protected NBO is above the upper threshold of the IEX Order Collar price range (i.e., when the spread between the Away Protected NBBO is excessively wide, such that it may not reflect the market for the security). To the contrary, the proposed clarifications are consistent with the protection of investors and the public interest because they are designed to make the Exchanges rules more clear and complete avoid any potential confusion regarding the Opening Process and IEX Auction functionality.

Furthermore, as described in the Purpose section, the Exchange believes that applying the IEX Order Collar to the cross price in connection with the Opening Match is consistent with the protection of investors and the public interest because it is designed to prevent executions at prices that are significantly dislocated from recent trading activity, and may be canceled pursuant to Rule 11.270. Moreover, the Exchange believes the proposed changes are consistent with the protection of investors and the public interest because, as discussed above, while the proposed Cross Price Constraint may affect the cross price in limited circumstances, there will be no change to the relative priority of execution for Cross Eligible Orders. Accordingly, the Exchange believes that the proposed rule change is noncontroversial and satisfies the requirements of Rule 19b-4(f)(6).<sup>19</sup>

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<sup>19</sup> 17 CFR 240.19b-4(f)(6).

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. The purpose of the proposed rule change is to avoid any potential confusion regarding the Opening Process functionality, and to make the Exchange's rules more accurate, complete, and descriptive of the System's functionality without materially changing the Opening Process. Moreover, the Exchange believes that applying the IEX Order Collar to the cross price in connection with the Opening Match is consistent with the protection of investors and the public interest because it is designed to prevent executions at prices that are significantly dislocated from recent trading activity, and may be canceled pursuant to Rule 11.270. Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest because it will allow the Exchange to implement the proposed rule change upon effectiveness, thus avoiding any potential confusion among market participants regarding the Opening Process functionality, and immediately protecting against dislocated executions in the Opening Process, as described in the Purpose section.

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-2018-18)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Definition of the Cross Price Constraint Utilized in the Opening Process for Non-IEX-Listed Securities Pursuant to Rule 11.231.

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

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

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),<sup>4</sup> and Rule 19b-4 thereunder,<sup>5</sup> Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the definition of the Cross Price Constraint utilized in the opening process for non-IEX-listed securities pursuant to Rule 11.231. The Exchange has

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

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

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

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

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

designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act<sup>6</sup> and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.<sup>7</sup>

The text of the proposed rule change is available at the Exchange’s website at [www.iextrading.com](http://www.iextrading.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

1. Purpose

Background

The purpose of this proposed rule change is to amend the definition of the Cross Price Constraint utilized in the opening process for non-IEX-listed securities pursuant to Rule 11.231. On July 24, 2017, the Commission approved a proposed rule change filed by the Exchange to amend IEX Rule 11.231 to modify the manner in which the Exchange opens trading for non-IEX-listed securities beginning at the start of Regular Market

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4.

Hours (the “Opening Process”).<sup>8</sup>

#### Opening Process for Non-IEX-Listed Securities

Pursuant to Rule 11.231, the Exchange attempts to perform the Opening Process in each non-IEX-listed security, in which all eligible interest resting on the Order Book in the Pre-Market Session available for continuous trading (*i.e.*, orders on the “Continuous Book”) as well as all eligible interest queued for execution in the Regular Market Session (*i.e.*, orders on the “Cross Book”) are executed at a single price (the “Opening Match”). Prior to the beginning of Regular Market Hours, Users who wish to participate in the Opening Process may enter limit, market, and pegged orders designated with a time-in-force of DAY and limit orders designated with a time-in-force of GTX, which shall queue in the System and are eligible for execution in the Opening Process (orders on the Cross Book); interest resting on the Order Book in the Pre-Market Session available for continuous trading (*i.e.*, orders on the Continuous Book) are also eligible for execution in the Opening Process (collectively, “Cross Eligible Orders”).

Cross Eligible Orders resting on the Continuous Book are ranked by the price at which they are resting on the Continuous Book and Cross Eligible Orders resting on the Cross Book are ranked by the limit price defined by the User, if any, except in the case of pegged orders, which are ranked by their current book price (in each case, the order’s “resting price”).<sup>9</sup>

#### IEX Order Collar

Rule 11.190(f)(1) sets forth the operation of the IEX Order Collar. Except for

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<sup>8</sup> See Securities Exchange Act Release No. 81195 (July 24, 2017), 82 FR 35250 (July 28, 2017).

<sup>9</sup> See Rule 11.220(a)(2). See also Rule 11.231(a)(1).

orders that are eligible for the Cross Book, the IEX Order Collar prevents any incoming order (including those marked ISO), or order resting on the Order Book, from executing at prices outside of the Order Collar price range.<sup>10</sup> The Order Collar price range is calculated by applying the numerical guidelines for clearly erroneous executions to the Order Collar Reference Price.<sup>11</sup> The Order Collar Reference Price is defined as the most current of the following:<sup>12</sup>

- The consolidated last sale price disseminated during the Regular Market Session on the current trade date;
- Last trade price disseminated outside of the Regular Market Session (Form T, as communicated by the relevant SIP) on trade date which other than for the Form T designation would have been considered a valid last sale price; or
- If neither of the prices above are available, the prior days Official Closing Price from the listing exchange, adjusted to account for corporate actions, news events, etc.<sup>13</sup>

#### Proposed Changes

The Exchange recently identified a minor omission in the Cross Price Constraint rule provisions with respect to manner in which the IEX Order Collar price range applies. Specifically, as described above, the Exchange does not apply the IEX Order Collar to orders eligible for the Cross Book so that it does not impact their relative priority of execution.<sup>14</sup> However, while the IEX Order Collar does not apply to orders eligible for

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<sup>10</sup> See Rule 11.190(f)(1) for a complete description of the IEX Order Collar.

<sup>11</sup> The upper (lower) Order Collar price range is calculated by adding (subtracting) the appropriate percentage (consistent with the numerical guidelines for clearly erroneous executions) to the Order Collar Reference Price.

<sup>12</sup> In the event there is no valid Order Collar Reference Price, the Exchange generally rejects orders for the security. See Rule 11.190(f)(1).

<sup>13</sup> See Rule 11.190(f)(1)(A).

<sup>14</sup> See Securities Exchange Act Release No. 81662 (September 20, 2017), 82 FR 44861 (September 26, 2017)(SR-IEX-2017-31), a proposed rule change to clarify the inapplicability of the Exchange's Order Collar and Router Constraint to certain orders that are eligible for participation in the opening process for non-IEX-listed securities

the Cross Book, the current implementation of the Cross Price Constraint mechanism is in fact adjusted by the IEX Order Collar price range in limited circumstances when the upper or lower threshold of such price is less aggressive than the upper or lower threshold of the Cross Price Constraint, respectively. In other words, if the Away Protected NBB is below the lower threshold of the IEX Order Collar price range, or the Away Protected NBO is above the upper threshold of the IEX Order Collar price range, the Opening Process execution is constrained by the upper and/or lower thresholds of the IEX Order Collar. Adjusting the Cross Price Constraint by the IEX Order Collar price range does not impact the relative priority of orders eligible for the Cross Book because the constraint is not applied at the order level but instead to the cross price, in connection with the Opening Match.

Based on the foregoing, the Exchange believes the existing Cross Price Constraint definition should explicitly account for the IEX Order Collar price range. Accordingly, the Exchange is proposing to amend rule 11.231(c)(1)(iii) to explicitly state that the Cross Price Constraint is adjusted by the IEX Order Collar price range, as described below:

- The upper threshold price of the Cross Price Constraint is equal to the lesser of the price of the Away Protected NBO or the upper threshold of the Order Collar price range for the Regular Market Session, calculated pursuant to Rule 11.190(f)(1)(C), except in the event that an Away Protected Bid is crossing an Away Protected Offer, the upper threshold price is equal to the greater of five cents (\$0.05) or one half of a percent (0.5%) higher than the lowest Away Protected Offer; and
- The lower threshold price of the Cross Price Constraint is equal to the greater of the price of the Away Protected NBB or the lower threshold of the Order Collar price range for the Regular Market Session, calculated pursuant to Rule 11.190(f)(1)(C), except in the event that an Away Protected Bid is crossing an

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pursuant to Rule 11.231, or for auctions in IEX-listed securities pursuant to Rule 11.350.

Away Protected Offer, the lower threshold price is equal to the greater of five cents (\$0.05) or one half of a percent (0.5%) lower than the highest Away Protected Bid.<sup>15</sup>

## 2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)<sup>16</sup> of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>17</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to 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 it is consistent with the protection of investors and the public interest to constrain the Opening Process match by the IEX Order Collar price range because executions outside of the Order Collar price range are significantly dislocated from recent trading activity (as measured by the Order Collar Reference

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<sup>15</sup> Rule 11.231(b)(2) states in relevant part that an imbalance of Cross Eligible Orders on the buy side or sell side may result in orders that are not executed in whole or in part. Thus, as part of the transition to the Regular Market Session (see Rule 1.160(gg)), unexecuted Cross Eligible Orders to buy (sell) that are priced at or above (below) the Cross Price Constraint (but remain unexecuted due to an imbalance of Cross Eligible Orders) will price slide pursuant to IEX Rule 11.190(h) and all remaining unexecuted Cross Eligible Orders, along with any orders that were either ineligible to participate in the Opening Process or too passive to be executed in the Opening Process, will be released to the Order Book for continuous trading or canceled in accordance with the terms of the order. Thus, the Exchange notes that when the Cross Price Constraint is narrowed because the Away Protected NBB is below the lower threshold of the IEX Order Collar price range, or the Away Protected NBO is above the upper threshold of the IEX Order Collar price range, there may be a smaller quantity of shares executed in the Opening Process, which may result in a larger quantity of unexecuted Cross Eligible Order shares that are priced equal to or more aggressively than the more narrow Cross Price Constraint (as proposed) transitioning to the RMS and price sliding pursuant to Rule 11.190(h), or canceling pursuant to the terms of the order, as applicable.

<sup>16</sup> 15 U.S.C. 78f.

<sup>17</sup> 15 U.S.C. 78f(b)(5).

Price), and often are the result of erroneous system processing or manual trading errors. The Exchange also notes that executions outside of the IEX Order Collar price range often meet the clearly erroneous criteria and are therefore eligible to be reviewed for cancellation pursuant to Rule 11.270. Thus, the Exchange believes that applying the IEX Order Collar to the cross price in connection with the Opening Match is consistent with the protection of investors and the public interest because it is designed to prevent executions at dislocated prices that are significantly dislocated from recent trading activity and may be canceled pursuant to Rule 11.270.

Furthermore, the Exchange believes that the proposed rule change does not materially alter the Opening Process, because the Opening Process match is already subject to the Cross Price Constraint. Instead, the Exchange believes the proposed changes are designed to make the Cross Price Constraint definition more robust by accounting for the rare scenarios where the Away Protected NBB is below the lower threshold of the IEX Order Collar price range, or the Away Protected NBO is above the upper threshold of the IEX Order Collar price range (i.e., when the spread between the Away Protected NBBO is excessively wide, such that it may not reflect the market for the security). The Exchange further believes that the proposed rule changes are consistent with the protection of investors and the public interest because the proposed changes are designed to avoid any potential confusion regarding the Opening Process functionality, and to make the Exchange's rules more accurate, complete, and descriptive of the System's functionality.

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 Exchange believes that the proposed changes do not impact competition in any respect since it is designed to avoid any potential confusion regarding the Opening Process functionality, and to make the Exchange's rules more accurate, complete, and descriptive of the System's functionality without materially changing the Opening Process. In addition, the Exchange believes there will be no impact on intra-market competition, as the proposed changes will apply equally to all Members and therefore no new burdens are being proposed. Furthermore, the Exchange believes there will be no impact on intra-market competition because as discussed above, the proposed changes to the Cross Price Constraint do not impact the relative execution priority of orders eligible for the Cross Book, as the constraint is not applied at the order level but instead to the cross price in connection with the Opening Match.

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)<sup>18</sup> of the Act and Rule 19b-4(f)(6)<sup>19</sup> 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

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 CFR 240.19b-4(f)(6).

designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>20</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>21</sup> 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 purpose of the proposed rule change is to avoid any potential confusion regarding the Opening Process functionality, and to make the Exchange's rules more accurate, complete, and descriptive of the System's functionality without materially changing the Opening Process. Moreover, the Exchange believes that applying the IEX Order Collar to the cross price in connection with the Opening Match is consistent with the protection of investors and the public interest because it is designed to prevent executions at prices that are significantly dislocated from recent trading activity and may be canceled pursuant to Rule 11.270. Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest because it will allow the Exchange to implement the proposed rule change upon effectiveness, thus avoiding any potential confusion among market participants regarding the Opening Process functionality, and immediately protecting against dislocated executions in the Opening Process, as described in the Purpose section.

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

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<sup>20</sup> 17 CFR 240.19b-4(f)(6).

<sup>21</sup> 17 CFR 240.19b-4(f)(6)(iii).

protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>22</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-IEX-2018-18 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-IEX-2018-18. This file number should be included in the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

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<sup>22</sup> 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, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying at the IEX's principal office and on its Internet website at [www.iextrading.com](http://www.iextrading.com). All comments received will be posted without change. 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-2018-18 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

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<sup>23</sup> 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

CHAPTER 11. TRADING RULES

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Rule 11.231. Regular Market Session Opening Process for Non-IEX-Listed Securities

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(a) – (b) No change.

(c) Determination of the Opening Match Price.

(1) Definitions.

- (i) The term “Away Protected NBB” or “Away Protected NBO” shall mean the national best bid or offer, respectively, that is a Protected Quotation and not a quotation of the Exchange.
- (ii) The term “Away Protected Bid” or “Away Protected Offer” shall mean a Protected Bid or Protected Offer, respectively, that is not a quotation of the Exchange.
- (iii) The term “Cross Price Constraint” shall mean, collectively, the upper and lower threshold prices within which the Opening Match must occur, inclusive of the boundaries. During a crossed market, if the upper threshold price is below the lower threshold price when performing the Opening Process, no Opening Match will occur, orders eligible to post on the Order Book will price slide in accordance with the price sliding process pursuant to IEX Rule 11.190(h), and the security will open for trading on IEX in accordance with prevailing market session rules.

A. The upper threshold price of the Cross Price Constraint is equal to the lesser of the price of the Away Protected NBO[, ] or the upper threshold of the Order Collar price range for the Regular Market Session, calculated pursuant to Rule 11.190(f)(1)(C), except in the event that an Away Protected Bid is crossing an Away Protected Offer, the upper threshold price is equal to the greater of five cents (\$0.05) or

one half of a percent (0.5%) higher than the lowest Away Protected Offer.

B. The lower threshold price of the Cross Price Constraint is equal to the greater of the price of the Away Protected NBB[,] or the lower threshold of the Order Collar price range for the Regular Market Session, calculated pursuant to Rule 11.190(f)(1)(C), except in the event that an Away Protected Bid is crossing an Away Protected Offer, the lower threshold price is equal to the greater of five cents (\$0.05) or one half of a percent (0.5%) lower than the highest Away Protected Bid.

(iv) The term “Cross Tie Breaker” shall mean the price of the most current Order Collar Reference Price pursuant to IEX Rule 11.190(f), rounded to the nearest MPV or Midpoint Price calculated by the System at the start of the Opening Process, whichever is closer.

(2) – (3) No change.

(d) – (f) No change.

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