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Claudia Crowley
Chief Regulatory Officer



August 24, 2017

Via E-Mail

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: SR-IEX-2017-18

Dear Mr. Fields:

Investors Exchange LLC filed the attached Amendment No. 1 to the above referenced filing on the date indicated therein.

Sincerely,

Claudia Crowley

Enclosure: Amendment No. 1 to SR-IEX-2017-18

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

Partial Amendment No. 1 to SR-IEX-2017-18

On May 15, 2017, Investors Exchange LLC (“IEX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission” or “SEC”) proposed rule change SR-IEX-2017-18 (the “Proposal”), pursuant to which IEX proposed to eliminate the Order Audit Trail System (“OATS”) Rule 11.420 and amend IEX’s electronic blue sheet (“EBS”) Rule 8.220 to reflect a change to this rule once Members are effectively reporting to the consolidated audit trail (“CAT”) adopted pursuant to the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) and the CAT’s accuracy and reliability meets certain standards as described in the Proposal.

The Commission published the proposed rule change for public comment in the Federal Register on June 1, 2017.¹ No comments were received in response to the Proposal, although four comments were received on a substantially similar proposal by the Financial Industry Regulatory Authority (“FINRA”).²

With this Partial Amendment No. 1, IEX is including Exhibit 4, which reflects changes to the text of the proposed rule change pursuant to this Partial Amendment No. 1, and Exhibit 5, which reflects the changes to the current rule text that are proposed in the Proposal, as amended by this Partial Amendment No. 1.

¹ Securities Exchange Act Release No. 80788 (May 26, 2017), 82 FR 25400 (June 1, 2017) (Notice of Filing of SR-IEX-2017-18).

² Letters to Robert W. Errett, Deputy Secretary, SEC, from Marc R. Bryant, Senior Vice President and Deputy General Counsel, Fidelity Investments, dated June 22, 2017 (“Fidelity”); William H. Hebert, Managing Director, Financial Information Forum, dated June 22, 2017 (“FIF”); Letters to Brent J. Fields, Secretary, SEC, from Manisha Kimmel, Chief Regulatory Officer, Wealth Management, Thomson Reuters, dated June 22, 2017 (“Thomson Reuters”); Ellen Greene, Managing Director & Theodore R. Lazo, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association, dated June 23, 2017 (“SIFMA”). IEX is advised that FINRA will submit a response to the comments on the FINRA proposal.

This Partial Amendment No. 1 makes the following changes to the Proposal: (1) it adds introductory language into Rule 11.420 (the “OATS Rule”) to clarify that, if the SEC approves the proposed rule change, Rule 11.420 will be deleted from the IEX Rules upon announcement by IEX that the CAT has achieved a level of accuracy and reliability sufficient to replace OATS; and (2) it amends the proposed Supplementary Material .01 to the Rule 8.220 (the “EBS Rule”) in the proposed rule change to clarify that IEX (or FINRA on behalf of IEX) will not request trade data or information, and Members will not be required to provide trade data or information, pursuant to the EBS Rule for trades reported to the CAT after IEX announces that it has determined that the accuracy and reliability of the CAT are sufficient to replace requests pursuant to the EBS Rule.

Introductory Language to the OATS Rule

As part of the Proposal, to comply with certain provisions of the CAT NMS Plan,³ IEX discussed the specific accuracy and reliability standards the CAT must meet for IEX to delete the OATS Rule from the IEX rulebook. The Proposal notes that the OATS Rule will be deleted once (i) the CAT achieves the specific accuracy and reliability standards described in the Proposal and (ii) IEX has determined that its usage of the CAT has not revealed material issues that have not been corrected, confirmed that the CAT includes all data necessary to allow IEX to continue to meet its surveillance obligations, and confirmed that the Plan Processor is sufficiently meeting all of its obligations under the Plan.

If the Commission approves the proposed rule change, the rule text to delete the OATS Rule will be effective; however, IEX will announce the implementation date of the proposed rule change (i.e., the deletion of the OATS Rule) in a Regulatory Notice that will be published once

³ See CAT NMS Plan, Appendix C, Section C.9.

IEX concludes the thresholds for accuracy and reliability described in the Proposal have been met and that the CAT Plan Processor is sufficiently meeting all of its obligations. Because the time period for implementation for the deletion of the OATS Rule could be significant, IEX is proposing in this Partial Amendment No. 1 to add language into Rule 11.420 that would alert Members that the SEC has approved a proposed rule change to remove Rule 11.420 from the IEX Rules upon announcement by IEX that the CAT has achieved a level of accuracy and reliability sufficient to replace OATS. The rule text would also note that, upon this announcement by IEX, Members will no longer be required to record and report order information pursuant to Rule 11.420. IEX believes that adding this language into Rule 11.420 would help to alert Members of the status of the OATS Rule and is proposing that this language be added to Rule 11.420 upon approval of the Proposal by the SEC.

Supplementary Material to the EBS Rule

In addition to deleting the OATS Rule, the Proposal adds new Supplementary Material to the EBS Rule to clarify how IEX (or FINRA on its behalf) will request data under this rule after Members are reporting to the CAT. As noted in the Proposal, IEX believes that the CAT must meet certain minimum accuracy and reliability standards before IEX could rely on the CAT to replace existing regulatory tools, including EBS. Consequently, the proposed Supplementary Material would be implemented only after the CAT achieves the thresholds set forth in the Proposal. Unlike the OATS Rule, IEX's EBS Rule will not be deleted from IEX rules; rather, the Proposal adds Supplementary Material to the EBS Rule to accommodate the fact that EBS requests will still be necessary for transactions occurring before CAT is sufficiently accurate and reliable and for transactions involving securities that are not reportable to the CAT.

In this Partial Amendment No. 1, IEX is proposing to revise the Supplementary Material to clarify that IEX will not request trade data or information, and Members will not be required to provide trade data or information, for trades reported to the CAT after IEX announces that it has determined that the accuracy and reliability of the CAT are sufficient to replace requests pursuant to the EBS Rule. In the Proposal, the proposed Supplementary Material stated that IEX will request information pursuant to this Rule only if the information is not available in the CAT because, for example, the transaction(s) in question occurred before the member was reporting information to the CAT or involved securities that are not reportable to the CAT. IEX is proposing changes to this language to make clear that, after the CAT achieves the accuracy and reliability standards set forth in the Proposal, IEX will only use CAT to obtain trading information and will make requests under the EBS Rule only for transactions that occurred before the CAT achieved sufficient levels of accuracy and reliability or transactions that involve securities that are not reportable to the CAT (e.g., fixed income securities, OTC options).

In addition, the Exchange proposes several clarifying revisions to the Purpose section of the Proposal in the Form 19b-4 and Exhibit 1 as follows:

- The first sentence of the last paragraph on page 7 of the Form 19b-4 information and reproduced on page 23 of the Exhibit 1 is amended and restated in its entirety as follows: To ensure the CAT's accuracy and reliability, IEX is proposing that, before OATS could be retired, the CAT would need to generally achieve a sustained error rate for Industry Member reporting in each of the categories below for a period of at least 180 days of 5% or lower, measured on a pre-correction or

as-submitted basis and 2% or lower on a post-correction basis (measured at T+5).⁴

In addition, the third sentence of the same paragraph on page 8 of the Form 19b-4 information and reproduced on pages 23 through 24 of the Exhibit 1 is amended and restated in its entirety as follows: IEX believes that measuring each of the thresholds over the course of 180 days will ensure that the CAT consistently meets minimum accuracy and reliability thresholds for Industry Member reporting while also ensuring that single-day measurements do not unduly affect the overall measurements.

- The first sentence of the first full paragraph on page 10 of the Form 19b-4 information and reproduced on page 26 of the Exhibit 1 is amended and restated in its entirety as follows: In addition to these minimum error rates and matching thresholds that generally must be met before OATS can be retired, IEX believes that during the minimum 180-day period during which the thresholds are calculated, FINRA's use of the data in the CAT on behalf of IEX must confirm that (i) usage over that time period has not revealed material issues that have not been corrected, (ii) the CAT includes all data necessary to allow IEX to continue to meet its surveillance obligations, and (iii) the Plan Processor is sufficiently meeting all of its obligations under the CAT NMS Plan.

⁴ The original footnote associated with the language being amended and restated is unchanged, and remains a part of the Proposal, as amended.

EXHIBIT 4 – Marked Copies

Exhibit 4 shows the changes proposed in this Partial Amendment No. 1, with the proposed changes in the original filing shown as if adopted. Proposed new language in this Partial Amendment No. 1 is underlined; proposed deletions in this Partial Amendment No. 1 are in brackets.

* * * * *

Rule 8.220. Automated Submission of Trading Data Requested

(a) through (e) No Change.

••• Supplementary Material •••

.01 The Exchange will not request trade data or information under this Rule, and Members will not be required to provide trade data or information under this Rule, for trades reported to the CAT after the Exchange announces that it has determined that the accuracy and reliability of the CAT are sufficient to replace requests pursuant to this Rule.

[This Supplementary Material .01 has been approved but is not yet operative. The Exchange will announce the operative date by Regulatory Notice. After the operative date, the Exchange will request information under this Rule only if the information is not available in the CAT because, for example, the transactions in question occurred before the firm was reporting information to the CAT or involved securities that are not reportable to the CAT.]

* * * * *

Rule 11.420. Order Audit Trail System Requirements

Note: The SEC has approved a proposed rule change to remove IEX Rule 11.420 from the IEX Rules upon announcement by IEX that the Consolidated Audit Trail has achieved a level of

accuracy and reliability sufficient to replace the Order Audit Trail System. Upon this announcement by IEX, Members will no longer be required to record and report order information pursuant to IEX Rule 11.420. [Deletion of IEX Rule 11.420 (Order Audit Trail System Requirements) has been approved but is not yet operative. The Exchange will announce the operative date by Regulatory Notice.]

* * * * *

Exhibit 5 – Text of Proposed Rule Change

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

Rule 8.220. Automated Submission of Trading Data Requested

(a) – (e) No change.

••• Supplementary Material •••

.01 The Exchange will not request trade data or information under this Rule, and Members will not be required to provide trade data or information under this Rule, for trades reported to the CAT after the Exchange announces that it has determined that the accuracy and reliability of the CAT are sufficient to replace requests pursuant to this Rule.

Rule 11.420. Order Audit Trail System Requirements

Note: The SEC has approved a proposed rule change to remove IEX Rule 11.420 from the IEX Rules upon announcement by IEX that the Consolidated Audit Trail has achieved a level of accuracy and reliability sufficient to replace the Order Audit Trail System. Upon this announcement by IEX, Members will no longer be required to record and report order information pursuant to IEX Rule 11.420.

(a) – (g) No change.
