

**Exhibit 5 – Text of Proposed Rule Change**

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

**Investors Exchange Rule Book**

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**CHAPTER 2. MEMBERS OF THE EXCHANGE**

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**Rule 2.160. Registration Requirements and Restrictions on Membership**

(a)-(h) No change.

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(i) The Exchange requires each Member other than a Member with only one associated person or a proprietary trading firm with 25 or fewer Authorized Traders (“Limited Size Proprietary Firm”) to register at least two Principals with the Exchange. In addition, the Exchange may waive the two Principal requirement in situations that indicate conclusively that only one Principal associated with the Options Member should be required. A Limited Size Proprietary Firm is required to register at least one Principal with the Exchange. For purposes of this paragraph (i), a “Principal” shall be any individual responsible for supervising the activities of a Member’s Authorized Traders and each person designated as a Chief Compliance Officer on Schedule A of Form BD. This paragraph (i) shall not apply to a Member that solely conducts business on the Exchange as an Options Member, however, Options Members must comply with the registration requirements set forth in Rule 18.110. Each Principal is required to have successfully completed the General Securities Principal Examination (“Series 24”). The Exchange uses Form U4 as part of its procedure for registration and oversight of Member personnel.

The Exchange will accept the Series 14 Compliance Official Examination in lieu of the Series 24 to satisfy the above requirement for any person designated as a Chief Compliance Officer. Individuals that supervise the activities of General Securities Representatives must have successfully completed the Series 7 or an equivalent foreign examination module, as well as the SIE, as a prerequisite to the Series 24 or Series 14 and shall be referred to as General Securities Principals. The Exchange will require the Series 57, as well as the SIE, as a prerequisite to the Series 24 or Series 14 for those Principals whose supervisory responsibilities are limited to overseeing the activities of Series 57 qualified Securities Traders. These limited representative Principals shall be referred to as Securities Trader Principals. Each Principal with responsibility over securities trading activities on the Exchange shall become qualified and registered as a Securities Trader Principal.

(j)-(m) No change.

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(n) The following sets forth the qualification requirements for each of the registration categories described above:

<b>CATEGORY OF REGISTRATION</b>	<b>QUALIFICATION EXAMINATION</b>	<b>ALTERNATIVE ACCEPTABLE QUALIFICATIONS</b>
<b>General Securities Representative</b>	Series 7	Equivalent foreign examination module (Series 17 or Series 37/38)
<b>Securities Trader</b>	Series 57	N/A
<b>General Securities Principal</b>	Series 24	Compliance Official Examination (Series 14) <sup>1</sup>
<b>Securities Trader Principal</b>	Series 24	Compliance Official Examination (Series 14) <sup>1</sup>
<b>Financial/Operations Principal</b>	Series 27	Series 28 <sup>2</sup>
<b><u>Options Principal</u></b>	<u>Series 4</u>	<u>General Securities Principal Examination (Series 24)</u> <sup>3</sup>

<sup>1</sup> The Exchange will only permit the Series 14 for those designated as Chief Compliance Officers on Schedule A of Form BD.

<sup>2</sup> The Exchange will only permit the Series 28 as an alternative examination for the Financial/Operations Principal of a Member that operates other than pursuant to Exchange Act Rule 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), as specified in paragraph (j) above.

<sup>3</sup> Please refer to Rule 18.110 for a more detailed description of the requirements for registration as an

Options Principal.

- (o) No change.
- (p) Continuing Education Requirements.

This Rule prescribes requirements regarding the continuing education of specified persons subsequent to their initial registration with the Exchange. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below. This Rule also sets forth continuing education programs through which specified persons may maintain their qualification in a representative or principal registration category following the termination of that registration category.

## (a) Regulatory Element

(1)-(3) No change.

(4) Reregistration

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The following sets forth the Regulatory Elements appropriate for each registration category:

<b>CATEGORY OF REGISTRATION</b>	<b>REGULATORY ELEMENT</b>
<b>General Securities Representative</b>	S101 General Program
<b>Securities Trader</b>	S101 General Program
<b>General Securities Principal</b>	S201 Supervisor Program
<b>Securities Trader Principal</b>	S201 Supervisor Program
<b>Financial/Operations Principal</b>	S201 Supervisor Program
<b><u>Options Principal</u></b>	<u>S201 Supervisor Program</u>

(5)-(7) No change.

(b)-(c) No change.

(q)-(r) No change.

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#### **Rule 2.220. IEX Services LLC as Outbound Router**

(a) All outbound routing by the Trading System shall be performed by the Exchange's affiliated broker-dealer, IEX Services LLC ("IEX Services"), which, in turn, shall route orders [directly ]to other securities exchanges, facilities of securities exchanges, automated trading systems, electronic communications networks, or other brokers or dealers (collectively, "away trading centers") as directed by the Exchange. When routing options orders, as set forth in IEX Rule 22.180, IEX Services will transmit such orders to one or more routing brokers that are not affiliated with the Exchange; the routing brokers will in turn route the applicable options orders to other securities exchanges that trade options. The Exchange will determine the logic that provides when, how, and where orders are routed ("Trading System routing logic") and IEX Services will receive routing instructions from the Exchange, to route orders to away trading centers and report such executions back to the Exchange ("Trading System routing instructions"). For so long as IEX Services is affiliated with the Exchange and is providing outbound routing of orders from the Exchange to away trading centers (such function of IEX Services is referred to as the "Outbound Router"), each of the Exchange and IEX Services shall undertake as follows:

(1)-(7) No change.

(8) IEX Services shall maintain an error account for the purpose of addressing positions that are the result of an execution or executions that are not clearly erroneous under IEX Rule 11.270 or an obvious error under IEX Rule 21.150 and result from a technical or systems issue at IEX Services, the Exchange, a routing destination, or a non-affiliate third-party routing broker that affects one or more orders ("Error Positions").

(A)-(E) No change.

(b) No change.

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#### **CHAPTER 9. CODE OF PROCEDURE**

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#### **Rule 9.218. Violations Appropriate for Disposition Under Plan Pursuant to Exchange Act Rule 19d-**

**1(c)(2)**

(a)-(j) No change.

(k) Rules contained in the Rules applicable to IEX Options, as set forth in Rule 26.120 - Penalty for Minor Rule Violations.

Recommended Fine Schedule – Rule 9.218(a) – (i), and (k)

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**CHAPTER 17. GENERAL PROVISIONS – IEX OPTIONS**

**Rule 17.100. Definitions**

With respect to the Rules contained in Chapters 17 to 29 below, relating to the trading of options contracts on the Exchange, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Exchange Rules shall have the same meaning with respect to this Chapter 17, unless otherwise defined below.

**ABBO**

The term “ABBO” or “Away Best Bid or Offer” means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Rule 28.100) and calculated by the Exchange based on market information the Exchange receives from OPRA.

**Aggregate Exercise Price**

The term “Aggregate Exercise Price” means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.

**American-Style Option**

The term “American-Style” option means an options contract that, subject to the provisions of Rule 24.100 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised at any time from its commencement time until its expiration.

**Associated Person and Person Associated with an Options Member**

The terms “associated person” and “person associated with an Options Member” mean any partner, officer, director, or branch manager of an Options Member (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with an Options Member or any employee of an Options Member, except that any person associated with an Options Member whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of these Rules.

**Bid**

The term “bid” means a Limit order to buy one or more options contracts.

**Board**

The term “Board” means the Board of Directors of Investors’ Exchange LLC.

**Call**

The term “call” means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.

**Capacity**

The term “capacity” means the capacity in which a User submits an order, which the User specifies by applying the corresponding code to the order. The capacity codes available on IEX Options will be listed in publicly available specifications and published in a Regulatory Circular.

**Class of Options**

The terms “class” or “class of options” mean all options contracts with the same unit of trading covering the same underlying security.

**Clearing Corporation and OCC**

The terms “Clearing Corporation” and “OCC” mean The Options Clearing Corporation.

**Clearing Member**

The term “Clearing Member” means an Options Member that has been admitted to membership in the Clearing Corporation pursuant to the provisions of the Rules of the Clearing Corporation and is self-clearing or that clears IEX Options Transactions for other Options Members.

### **Closing Purchase Transaction**

The term “closing purchase transaction” means an IEX Options Transaction that reduces or eliminates a short position in an options contract.

### **Closing Writing Transaction**

The term “closing writing transaction” means an IEX Options Transaction that reduces or eliminates a long position in an options contract.

### **Control**

The term “control” means the power to exercise a controlling influence over the management or policies of a person, unless such power is solely the result of an official position with such person. Any person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of a corporation, or more than 25% of the voting power in the election of directors of any other corporation which directly or through one or more affiliates owns beneficially more than 25% of the voting power in the election of directors of such corporation, shall be presumed to control such corporation.

### **Covered Short Position**

The term “covered short position” means (i) an options position where the obligation of the writer of a call option is secured by a “specific deposit” or an “escrow deposit” meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

### **Customer**

The term “Customer” means a Public Customer or a broker-dealer.

### **Customer Order**

The term “Customer order” means an agency order for the account of a Customer.

### **Directed Order**

The term “Directed Order” is an order entered into the Trading System by an Options Member with a designation for a Market Maker in that class (referred to as a “Directed Market Maker” or “DMM”). To qualify as a Directed Order, an order must be entered on behalf of a Priority Customer.

### **Discretion**

The term “discretion” means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.

### **European-Style Option**

The term “European-style option” means an options contract that, subject to the provisions of Rule 24.100 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.

### **Exchange Act**

The term “Exchange Act” or “Act” means the Securities Exchange Act of 1934, as amended, or Rules thereunder.

### **Exercise Price**

The term “exercise price” means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.

### **He, Him, and His**

The terms “he,” “him” and “his” are deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

**IEX Exchange and Exchange**

The terms “IEX Exchange” and “Exchange” mean Investors’ Exchange LLC, a registered national securities exchange.

**IEX Options**

The term “IEX Options” means IEX Options LLC, a Delaware limited liability company wholly owned by the Exchange, which operates as an options trading facility of the Exchange under Section 3(a)(2) of the Exchange Act.

**IEX Options Book**

The term “IEX Options Book” means the electronic book of options orders maintained by the Trading System.

**IEX Options Transaction**

The term “IEX Options Transaction” means a transaction involving an options contract that is effected on or through IEX Options or its facilities or systems.

**Individual Equity Option**

The term “individual equity option” means an options contract which is an option on an equity security.

**Long Position**

The term “long position” means a person’s interest as the holder of one or more options contracts.

**Market Makers (and Options Market Makers)**

The terms “Market Makers” and Options Market Makers refer collectively to Options Members registered, pursuant to Rule 23.100, as either a “Registered Market Maker” or a “Specialist”.

**MPID**

The term “MPID” means unique market participant identifier assigned to an Options Member.

**NBB, NBO, and NBBO**

The term “NBB” means the national best bid, the term “NBO” means the national best offer, and the term “NBBO” means the national best bid or offer as calculated by IEX Options based on market information received by IEX Options from OPRA.

### **Offer**

The term “offer” means a Limit order to sell one or more options contracts.

### **OPRA**

The term “OPRA” means the Options Price Reporting Authority.

### **Opening Purchase Transaction**

The term “opening purchase transaction” means a IEX Options Transaction that creates or increases a long position in an options contract.

### **Opening Writing Transaction**

The term “opening writing transaction” means a IEX Options Transaction that creates or increases a short position in an options contract.

### **Options Contracts**

The term “options contract” means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

### **Options Market Close and Market Close**

The terms “options market close” and “market close” mean the time the Exchange specifies for the end of a trading session on the Exchange on that trading day.

### **Options Market Open and Market Open**

The terms “options market open” and “market open” mean the time the Exchange specifies for the beginning of a trading session on the Exchange on that trading day.

### **Options Member**

The term “Options Member” means a firm, or organization that is registered with the Exchange pursuant to Chapter 18 of these Rules for purposes of participating in options trading on IEX Options as an Options Order Entry Firm, Options Market Maker, or Clearing Member.

### **Options Member Agreement**

The term “Options Member Agreement” means the agreement to be executed by Options Members to qualify to participate on IEX Options.

### **Options Order Entry Firm, Order Entry Firm, and OEF**

The terms “Options Order Entry Firm” and “Order Entry Firm” or “OEF” mean those Options Members representing as agent Customer Orders on IEX Options and those non-Market Maker Members conducting proprietary trading.

### **Options Principal**

The term “Options Principal” means a person engaged in the management and supervision of the Options Member’s business pertaining to options contracts that has responsibility for the overall oversight of the Options Member’s options related activities on the Exchange.

### **Order**

The term “order” means a firm commitment to buy or sell options contracts as defined in Rule 22.100.

### **Outstanding**

The term “outstanding” means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

### **Primary Market**

The term “primary market” means the primary exchange on which an underlying security is listed.

### **Priority Customer and Priority Customer Order**

The term “Priority Customer” means any person or entity that is not: (A) a broker or dealer in securities; or (B) a Professional. The term “Priority Customer Order” means an order for the account of a Priority Customer.

**Professional**

The term “Professional” means any person or entity that (A) is not a broker or dealer in securities; and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Options Members.

**Protected Quotation**

The term “Protected Quotation” has the meaning provided in Rule 28.100.

**Public Customer and Public Customer Order**

The term “Public Customer” means a person that is not a broker or dealer in securities. The term “Public Customer Order” means an order for the account of a Public Customer.

**Put**

The term “put” means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.

**Quarterly Options Series**

The term “Quarterly Options Series” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

**Quote or Quotation**

The terms “quote” or “quotation” means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker’s previous bid or offer, if any. When the term order is used in these Rules and a bid or offer is entered by the Market Maker in the options series to which such Market Maker is registered, such order shall, as applicable, constitute a quote or quotation for purposes of these Rules. A quote or quotation may be canceled or repriced in accordance with Rules 22.250, 22.260, or 23.150, if so designated by the Market Maker to assist in its risk management.

**Registered Market Maker**

The term “Registered Market Maker” means an Options Member registered with the Exchange for the purpose of making markets in securities traded on the Exchange, who is vested with the rights and responsibilities specified in Chapter 23 of these Rules with respect to Registered Market Makers.

**Responsible Person**

The term “Responsible Person” means a U.S.-based officer, director, or management-level employee of an Options Member, who is registered with the Exchange as an Options Principal, responsible for the direct supervision and control of associated persons of that Options Member.

**Rules of IEX Options**

The term “Rules of IEX Options” mean the rules contained in Chapters 17 to 29 of the Investors Exchange Rules governing the trading of options on the Exchange.

**Rules of the Clearing Corporation and Rules of the OCC**

The terms “Rules of the Clearing Corporation” and “Rules of the OCC” mean the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.

**SEC or Commission**

The terms “SEC” or “Commission” mean the United States Securities and Exchange Commission.

**Series of Options**

The terms “series” or “series of options” mean all options contracts of the same class that are the same type of options and have the same exercise price and expiration date.

**Short Position**

The term “short position” means a person’s interest as the writer of one or more options contracts.

**Short Term Options Series**

The term “Short Term Options Series” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Tuesday, Wednesday, Thursday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

### **Specialist**

The term “Specialist” means a Market Maker appointed by the Exchange to act as the primary lead Market Maker for the purpose of making markets in securities traded on the Exchange. The Specialist is vested with the rights and responsibilities specified in Chapter 23 of these Rules with respect to Specialists.

### **SRO**

The term “SRO” means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

### **Timestamp**

The term “timestamp” means the effective time sequence assigned to an order for purposes of determining its priority ranking.

### **Trading Permit**

The term “Trading Permit” means a license issued by the Exchange to an Options Member that grants the Trading Permit Holder (“TPH”) the right to access one or more of the facilities of the Exchange for the purpose of effecting transactions in options traded on the Exchange without the services of another person acting as broker, and otherwise to access the facilities of the Exchange for purposes of trading or reporting transactions or transmitting orders or quotations in options traded on the Exchange, or to engage in other activities that, under the Rules of IEX Options, may only be engaged in by the TPH that satisfies any applicable qualification requirements to exercise those rights. A Trading Permit conveys no ownership interest in the Exchange, is only available through the Exchange, and is subject to the terms and conditions set forth in Rule 18.140.

**Trading Permit Holder**

The term “Trading Permit Holder” or “TPH” means the holder of a Trading Permit, as described in IEX Rule 18.140.

**Trading System**

The term “Trading System” means the automated trading system used by IEX Options for the trading of options contracts, as described in Rule 22.100(a).

**Type of Option**

The term “type of option” means the classification of an options contract as either a put or a call.

**Uncovered**

The term “uncovered” means a short position in an options contract that is not covered.

**Underlying Security**

The term “underlying security” means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

**User**

The term “User” means any Options Member or Sponsored Participant who is authorized to obtain access to the Trading System pursuant to Rule 11.130 (Access).

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**••• Supplementary Material •••**

.01 Calculation of Professional Orders. Except as noted below, each order of any order type counts as one order for Professional order counting purposes.

(a) Complex Orders:

- (1) A complex order comprised of eight (8) options legs or fewer counts as a single order;
- (2) A complex order comprised of nine (9) options legs or more counts as multiple orders with each option leg counting as its own separate order;

(b) “Parent”/“Child” Orders:

- (1) Same Side and Same Series: A “parent” order that is placed for the beneficial account(s) of a person or entity that is not a broker or dealer in securities that is broken into multiple “child” orders on the same side (buy/sell) and series as the “parent” order by a broker or dealer, or by an algorithm housed at a broker or dealer or by an algorithm licensed from a broker or dealer, but which is housed with the customer, counts as one order even if the “child” orders are routed across multiple exchanges.
- (2) Both Sides and/or Multiple Series: A “parent” order (including a strategy order) that is broken into multiple “child” orders on both sides (buy/sell) of a series and/or multiple series counts as multiple orders, with each “child” order counting as a new and separate order.

(c) Cancel/Replace:

- (1) Except as provided in paragraph (c)(2) below, any order that cancels and replaces an existing order counts as a separate order (or multiple new orders in the case of a complex order comprised of nine (9) options legs or more).
  - (2) Same Side and Same Series: An order that cancels and replaces any “child” order resulting from a “parent” order that is placed for the beneficial account(s) of a person or entity that is not a broker, or dealer in securities that is broken into multiple “child” orders on the same side (buy/sell) and series as the “parent” order by a broker or dealer, by an algorithm housed at a broker or dealer, or by an algorithm licensed from a broker or dealer, but which is housed with the customer, does not count as a new order.
  - (3) Both Sides and/or Multiple Series: An order that cancels and replaces any “child” order resulting from a “parent” order (including a strategy order) that generates “child” orders on both sides (buy/sell) of a series and/or in multiple series counts as a new order.
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**Rule 17.110. Applicability**

- (a) The Rules contained in Chapters 17 to 29 herein are the Exchange Rules applicable to the trading of options contracts issued by The Options Clearing Corporation through IEX Options, the terms and conditions of such contracts, the exercise and settlement thereof, the handling of orders, and the conduct of accounts and other matters relating to options trading on IEX Options.
- (b) Except to the extent that specific Rules relating to options trading govern or unless the context otherwise requires, the provisions of the Exchange Rules shall be applicable to Options Members and to the trading of options contracts on IEX Options and, for purposes of their application with respect to Options Members and options trading shall be interpreted in light of the nature of options trading and the IEX Options market, and the fact that options on IEX Options shall be traded electronically through the Trading System. To the extent that the provisions of the Rules relating to options trading contained in

Chapters 17 to 29 are inconsistent with any other provisions of the Exchange Rules, the Rules relating to options trading shall control.

- (c) For marketing and other purposes, the Exchange’s options market facility may be referred to as the “IEX Options Exchange” or “IEX Options.”

## **CHAPTER 18. PARTICIPATION ON IEX OPTIONS**

### **Rule 18.100. Options Participation**

- (a) These Rules establish a new category of IEX Exchange member participation called “Options Member.” Only Options Members and their Sponsored Participants may transact business on IEX Options via the Trading System. Options Members may trade options for their own proprietary accounts or, if authorized to do so under applicable law, and consistent with these Rules and with applicable law and SEC rules and regulations, may conduct business on behalf of Customers.
- (b) A prospective Options Member must:
- (1) complete an Options Member Application in the form prescribed by the Exchange;
  - (2) provide such other information as required by the Exchange;
  - (3) be an existing member or become a Member of the Exchange, pursuant to Chapter 2 (Members of the Exchange), and continue to abide by the requirements of the Chapter 2 Exchange Rules with respect to participation in IEX Options;
  - (4) enter into an Options Member Agreement in the form specified by the Exchange, agree to abide by the same as it has been or shall be from time to time amended, and pledge to abide by the Exchange Rules as amended from time to time, and by all circulars, notices, directives or decisions adopted pursuant to or made in accordance with the Exchange Rules; and
  - (5) be under the supervision and control of a Responsible Person who is registered with the Exchange as an Options Principal.
- (c) Upon completion of the application, the Exchange, or person(s) designated by the Exchange (“designee”) shall consider whether to approve the application, unless there is just cause for delay. In its consideration process, the Exchange may conduct such investigation as it deems appropriate and may take such steps as it deems necessary to confirm the information provided by the applicant. Within thirty (30) days after the Exchange or its designee has completed its consideration of an application, it shall provide written

notice of the action of the Exchange, specifying in the case of disapproval of an application the grounds therefore. The Exchange may deny (or may condition) membership or may prevent a person from becoming associated (or may condition an association) with an Options Member for the same reasons that the Commission may deny or revoke a broker-dealer registration and for those reasons required or allowed under the Exchange Act, for the same reasons set forth in Rule 2.160, or for such other cause as the Exchange reasonably may decide.

- (d) These Rules place no limit on the number of qualifying entities that may become Options Members. However, based on system constraints or capacity restrictions, approval of qualifying applications for Options Members may, in limited circumstances, be temporarily deferred. To the extent that the Board places limitations on otherwise qualified applicants to act as Options Members, such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.
- (e) Options Member status cannot be leased or transferred except in the event of a change in control or corporate reorganization involving an Options Member. In such a case, Options Member status may be transferred to a qualified affiliate or successor upon written notice to the Exchange or its designee.
- (f) Every Options Member shall file with the Exchange and keep current an address where notices may be served, including current addresses of each Responsible Person, as specified in paragraph (b)(5) of this Rule.

#### **Rule 18.110. Requirements for Options Participation**

- (a) Options Members may be corporations, partnerships, limited liability companies or sole proprietorships organized under the laws of a jurisdiction of the United States, or such other jurisdictions as the Exchange may approve.
- (b) Options Members must be Clearing Members or establish a clearing arrangement with a Clearing Member.
- (c) Each Options Member shall provide a letter of guarantee for the Options Member's trading activities on the Exchange from a Clearing Member in a form and manner prescribed by the Exchange, as set forth in Rule 22.220.
- (d) Options Members must have demonstrated ability to adhere to all applicable Exchange, SEC, Clearing Corporation and Federal Reserve Board policies, rules and regulations related to the trading of options, including those concerning record-keeping, reporting, finance and trading procedures and be able to

satisfactorily demonstrate reasonably adequate systems capability and capacity.

- (e) All associated persons of Options Members who are not themselves Responsible Persons must be under the supervision of a U.S.-based Responsible Person who is registered with the Exchange as an Options Principal.
- (f) Every Options Member shall have as the principal purpose of being an Options Member the conduct of a securities business. Such a purpose shall be deemed to exist if and so long as:
  - (1) the Options Member has qualified and acts in respect of its business on IEX Options as either an OEF, an Options Market Maker, a Clearing Member, or some combination of the three; and
  - (2) all transactions effected by the Options Member are in compliance with Section 11(a) of the Exchange Act and the rules and regulations adopted thereunder.
- (g) Every Options Member shall at all times maintain membership in another registered options exchange that is not registered solely under Section 6(g) of the Securities Exchange Act of 1934, or in FINRA. Options Members that transact business with Public Customers shall at all times be members of FINRA.
- (h) Options Principal.
  - (1) Every Options Member shall have at least one Options Principal who shall have satisfied the requirements of this subparagraph. Persons engaged in the management and supervision of the Options Member's business pertaining to options contracts shall be designated as Options Principals and shall have responsibility for the overall oversight of the Options Member's options related activities on the Exchange.
  - (2) Each person required by subparagraph (1) to be an Options Principal shall pass the appropriate Registered Options Principal Qualification Examination ("Series 4"), or an equivalent examination acceptable to the Exchange, for the purpose of demonstrating an adequate knowledge of options trading generally, the Rules of the Exchange applicable to trading of options contracts and the rules of registered clearing agencies for options, and be registered as such before engaging in the duties or accepting the responsibilities of an Options Principal.
  - (3) Each person required to register and qualify as an Options Principal must, prior to or concurrent with such registration, be or become qualified as a General Securities Representative.
  - (4) Options Principals must comply with Rule 2.160, including the Supplementary Materials, which require completion of certain continuing education requirements.
  - (5) A person registered solely as an Options Principal shall not be qualified to function in a principal

- capacity with responsibility over any area of business activity not prescribed in subparagraph (1).
- (6) In connection with their registration, Options Principals shall electronically file a Uniform Application for Securities Industry Registration or Transfer ("Form U4") with the Central Registration Depository ("CRD") System, shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the options business, and shall further agree in the Form U4 filing to abide by the Rules of the Exchange and the Rules of the Clearing Corporation; provided, however, that Options Principals of Options Members that are members of another national securities exchange or association that has standards of approval acceptable to the Exchange may be deemed to be approved by and registered with the Exchange, so long as such Options Principals are approved by and registered with such other exchange or association.
- (7) Termination of employment or affiliation of any Options Principal in such capacity shall be promptly reported to the CRD System together with a brief statement of the reason for such termination on Uniform Termination Notice for Securities Industry Registration ("Form U-5").
- (8) Change in Options Principal
- (A) Options Members having a single Options Principal are required promptly to notify the Exchange in the event such person is terminated, resigns, becomes incapacitated or is otherwise unable to perform the duties of an Options Principal.
- (B) Following receipt of such notification, the Exchange will require an Options Member to agree, in writing, to refrain from engaging in any options-related activities that would necessitate the prior or subsequent approval of an Options Principal including, among other things, the opening of new options accounts or the execution of discretionary orders for options contracts until such time as a new Options Principal has been qualified.
- (C) Options Members failing to qualify a new Options Principal within two weeks following the loss of their sole Options Principal, or by the earliest available date for administration of the Options Principal examination, whichever is longer, shall be required to cease doing an options business; provided, however, that an Options Member may effect closing transactions in options to reduce or eliminate existing open options positions in their own account as well as the accounts of their customers.

**Rule 18.120. Persons Associated with Options Members**

Persons associated with Options Members shall be bound by the Exchange Rules and the Rules of the Clearing Corporation. The Exchange may discipline, suspend or terminate the registration with the Exchange of any person associated with an Options Member for violation of the Rules of the Exchange or the Rules of the Clearing Corporation.

**Rule 18.130. Good Standing for Options Members**

- (a) To remain in good standing, all Options Members must:
- (1) continue to satisfy the qualification requirements specified by the Exchange, as amended from time to time by the Exchange;
  - (2) comply with the Exchange Rules; and
  - (3) pay on a timely basis such participation, transaction and other fees as the Exchange and/or IEX Options shall prescribe.
- (b) The good standing of an Options Member may be suspended, terminated or otherwise withdrawn, as provided in Rule Series 8.300 (Sanctions), if any of the conditions of Rules 18.110 or 18.120 are not met or the Options Member violates any of its agreements with the Exchange and/or IEX Options or any of the provisions of the Exchange Rules.
- (c) Unless an Options Member is in good standing, the Options Member shall have no rights or privileges of options participation except as otherwise provided by law or Rules, shall not hold himself or itself out for any purpose as an Options Member, and shall not deal with the Exchange and/or IEX Options on any basis except as a non-Options Member.

**Rule 18.140. Trading Permits**

- (a) Types and Terms of Trading Permits. The Exchange shall have the authority to issue to Options Members different types of Trading Permits that allow Trading Permit Holders to trade one or more products authorized for trading on the Exchange, to act in one or more trading functions authorized by the Rules of IEX Options, and/or to act as a Clearing Member. Trading Permits shall be for terms as shall be determined by the Exchange from time to time. The Exchange shall announce the types and terms of the Trading Permits that the Exchange has determined to issue.
- (b) Trading Permits shall be subject to such fees and charges as are established by the Exchange from time to time pursuant to Rule 15.110 and the Exchange Fee Schedule. The entire fee for a Trading Permit shall be due and payable in accordance with the Exchange Fee Schedule. An Options Member holding a

Trading Permit shall be responsible for paying all fees and charges for that Trading Permit.

- (c) Requirement to Hold Trading Permit. Any Options Member who wishes to perform one or more of the functions of a Trading Permit Holder as described in the Rules of IEX Options must hold the requisite Trading Permit(s).
- (d) Rights. No rights shall be conferred upon a Trading Permit Holder except those set forth in the Rules of IEX Options as amended from time to time. Nothing in the Rules of IEX Options shall create a right for an Options Member to be issued a Trading Permit by the Exchange.
- (e) Preservation of Exchange's Authority. Notwithstanding any other provision in this Rule 18.140, nothing in these rules shall eliminate or restrict the Exchange's authority to delist any product or to take any action (remedial or otherwise) under the Act or the Rules of IEX Options, including without limitation the Exchange's authority to take disciplinary or market performance actions against a person with respect to which the Exchange has jurisdiction under the Act and the Rules of IEX Options.
- (f) Application for and Issuance of Trading Permits
  - (1) Only an Options Member in good standing is eligible to apply for one or more Trading Permits. To be eligible to use a type of Trading Permit, an Options Member must satisfy all requirements related to that type of Trading Permit.
  - (2) Eligible Options Members may submit an application to the Exchange for one or more types of Trading Permits in a form and manner prescribed by the Exchange, which shall include a selection of the number and term(s) of the Trading Permit(s) the Options Member would like to receive.
  - (3) Issuance of Trading Permits. The Exchange shall issue the requested Trading Permits to any eligible Options Member that satisfies the requirements related to that type of Trading Permit.
- (g) Termination of Trading Permits.
  - (1) Termination of Trading Permits. A Trading Permit Holder seeking to terminate that TPH's Trading Permit must notify the Exchange, prior to the deadline announced by the Exchange and in a form and manner prescribed by the Exchange, that the TPH is terminating that Trading Permit at the end of its term.
  - (2) Replacement of Trading Permits. A Trading Permit Holder seeking to replace that holder's Trading Permit with a different Trading Permit must file with the Exchange, prior to the deadline

announced by the Exchange, an application for that different Trading Permit pursuant to paragraph (b) of this Rule.

- (3) Renewal of Trading Permits. The Exchange shall automatically renew for the same term as the expiring term a Trading Permit of a Trading Permit Holder if that holder does not take one of the actions specified in subparagraphs (g)(1) or (g)(2) of this Rule 18.140 with respect to that Trading Permit. In renewing that TPH's Trading Permit, the Exchange shall have the authority to issue one or more Trading Permits that represent the same or more trading right(s) as the expiring permit.
- (4) Additional Trading Permits. A Trading Permit Holder seeking to hold an additional Trading Permit must file with the Exchange an application for that Trading Permit pursuant to paragraph (f) of this Rule 18.140.
- (5) Changing the Term of a Trading Permit. To change the term of a Trading Permit at the end of its current term to a longer or shorter term currently offered by the Exchange, a Trading Permit Holder must notify the Exchange of that holder's desire to change the term prior to the deadline and in a form and manner prescribed by the Exchange. Such a change will be effective only at the end of the current term of the Trading Permit.

(h) Non-transferability of Trading Permits

- (1) Non-transferability of Trading Permits. A Trading Permit may be issued only by the Exchange and may not be leased or transferred to any person other Options Member under any circumstances, except as provided in subparagraph (h)(2) of this Rule 18.140. A TPH has no ownership interest or property rights in a Trading Permit. No recognition or effect shall be given by the Exchange to any agreement or to any instrument entered into or executed by a TPH or his legal representatives that purports to transfer or assign any interest in a Trading Permit, or which purports to create any lien or other right with respect thereto, other than pursuant to subparagraph (h)(2) of this Rule.
- (2) Limited Exceptions. An Options Member that holds one or more Trading Permit(s) may change the designation of the nominee or Responsible Person in respect of each Trading Permit it holds in a form and manner prescribed by the Exchange. In addition, a Trading Permit Holder may, with the prior written consent of the Exchange, transfer a Trading Permit to a TPH or to an organization approved to be a TPH: (A) which is an affiliate; or (B) which continues substantially

the same business without regard to the form of the transaction used to achieve such continuation, e.g., merger, sale of substantially all assets, reincorporation, reorganization or the like.

## **CHAPTER 19. BUSINESS CONDUCT**

### **Rule 19.100. Adherence to Law**

No Options Member shall engage in conduct in violation of the Exchange Act or Rules thereunder, the Exchange Rules or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Options Member shall supervise persons associated with the Options Member to assure compliance therewith.

### **Rule 19.110. Conduct and Compliance with Rules**

(a) Each Options Member shall be responsible for ensuring that all arrangements made and systems used in connection with business conducted on IEX Options, and the transaction of such business itself, comply with the Options Member's and associated persons' obligations under the Exchange Rules, the Rules of the Clearing Corporation and any other relevant laws, rules, interpretations and obligations. In accordance with the Rules and in connection with business conducted on IEX Options, each Options Member shall:

- (1) have adequate arrangements to ensure that all staff involved in the conduct of business on IEX Options are suitable, adequately trained and properly supervised;
- (2) be responsible for the acts and conduct of each associated person;
- (3) establish its trading arrangements such that each Options Member is able to meet the requirements set out in Rule 19.100 and that all other relevant obligations contained in the Rules are complied with;
- (4) implement suitable security measures such that only those individuals explicitly authorized by the Options Member to trade may gain access to passwords and security keys;
- (5) ensure that any trading access granted to individuals (whether employees of the Options Member or otherwise), for example by way of order routing systems, is adequately controlled and supervised, including appropriate checks before any orders are submitted to the Trading System; and
- (6) ensure that accurate information is input into the Trading System, including, but not limited to, the Options Member's capacity.

**Rule 19.120. Rumors**

No Options Member or person associated with an Options Member shall circulate, in any manner, rumors of a character which might affect market conditions in any security; provided, however, that this Rule shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.

**Rule 19.130. Prevention of Misuse of Material Nonpublic Information**

- (a) Every Options Member shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of the Options Member's business, to prevent the misuse of material nonpublic information by such Options Member or persons associated with such Options Member in violation of the federal securities laws or the Rules thereunder, and the Exchange Rules.
- (b) Misuse of material nonpublic information includes, but is not limited to:
- (1) trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material nonpublic information concerning that corporation;
  - (2) trading in an underlying security or related options or other derivative securities, while in possession of material nonpublic information concerning imminent transactions in the underlying security or related securities; and
  - (3) disclosing to another person any material nonpublic information involving a corporation whose shares are publicly traded or disclosing an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material nonpublic information.
- (c) Each Options Member shall establish, maintain and enforce the following policies and procedures as appropriate for the nature of each Options Member's business:
- (1) All associated persons must be advised in writing of the prohibition against the misuse of material nonpublic information.
  - (2) Signed attestations from the Options Member and all associated persons affirming their awareness of, and agreement to abide by, the aforementioned prohibitions must be maintained for at least three (3) years, the first two (2) years in an easily accessible place.
  - (3) Records of all brokerage accounts maintained by the Options Member and all associated persons must be acquired and maintained for at least three (3) years, the first two (2) years in an easily

accessible place, and such brokerage accounts must be reviewed periodically by the Options Member for the purpose of detecting the possible misuse of material nonpublic information.

(4) Any business dealings the Options Member may have with any corporation whose securities are publicly traded, or any other circumstances that may result in the Options Member receiving, in the ordinary course of business, material nonpublic information concerning any such corporation, must be identified and documented.

(d) Options Members for which the Exchange is the designated examining authority (“DEA”) that are required to file SEC Form X-17A-5 with the Exchange on an annual or more frequent basis must file contemporaneously with the submission for the calendar year end ITSFEA compliance acknowledgements stating that the procedures mandated by this Rule have been established, enforced and maintained.

(e) Any Options Member or associated person who becomes aware of any possible misuse of material nonpublic information must promptly notify the Exchange.

(f) It may be considered conduct inconsistent with just and equitable principles of trade for any Options Member or person associated with an Options Member who has knowledge of all material terms and conditions of:

(1) an order and a solicited order;

(2) an order being facilitated; or

(3) orders being crossed;

the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option for the same underlying security as any option that is the subject of the order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until (a) the terms and conditions of the order and any changes in the terms and conditions of the order of which the Options Member or person associated with the Options Member has knowledge are disclosed, or (b) the trade can no longer reasonably be considered imminent in view of the passage of time since the order was received. The terms of an order are “disclosed” to Options Members when the order is entered into the IEX Options Book.

#### **Rule 19.140. Disciplinary Action by Other Organizations**

Every Options Member shall promptly notify the Exchange in writing of any disciplinary action, including the basis therefore, taken by any national securities exchange or registered securities association, clearing

corporation, commodity futures market or government regulatory body against the Options Member or its associated persons who are directly involved in derivatives trading, and shall similarly notify the Exchange of any disciplinary action taken by the Options Member itself against any of its associated persons who are directly involved in derivatives trading involving suspension, termination, the withholding of commissions or imposition of fines in excess of \$2,500, or any other significant limitation on activities.

#### **Rule 19.150. Other Restrictions on Options Members**

Whenever the Exchange shall find that an Options Member has failed to perform on its contracts or is insolvent or is in such financial or operational condition or is otherwise conducting business in such a manner that it cannot safely conduct business with Customers, creditors or the Exchange, the Exchange may summarily suspend the Options Member in accordance with Chapter 25 (Discipline and Summary Suspensions) or may impose such conditions and restrictions upon the Options Member as the Exchange considers reasonably necessary for the protection of the Exchange, IEX Options, and the Customers of such Options Member.

#### **Rule 19.160. Position Limits**

- (a) Except in accordance with Rule 19.170 or with the prior permission of the Chief Executive Officer of the Exchange or their designee, to be confirmed in writing, no Options Member shall make, for any account in which it has an interest or for the account of any customer, an opening transaction on any exchange if the Options Member has reason to believe that as a result of such transaction the Options Member or its customer would, acting alone or in concert with others, directly or indirectly:
- (1) control (as defined in paragraph (f) below) an aggregate position in an options contract traded on the Exchange in excess of 25,000 or 50,000 or 75,000 or 200,000 or 250,000 options contracts (whether long or short) of the put type and the call type on the same side of the market respecting the same underlying security, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other number of options contracts as may be fixed from time to time by the Exchange as the position limit for one or more classes or series of options; or
  - (2) exceed the applicable position limit fixed from time to time by another exchange for an options contract not traded on the Exchange, when the Options Member is not a member of the other exchange on which the transaction was effected.
- (b) Should an Options Member have reason to believe that a position in any account in which it has an interest

or for the account of any customer is in excess of the applicable limit, such Options Member shall promptly take the action necessary to bring the position into compliance.

(c) Reasonable notice shall be given of each new position limit fixed by the Exchange.

(d) Limits shall be determined in the following manner:

(1) A 25,000 contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit.

(2) To be eligible for the 50,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least twenty (20) million shares, or the most recent six (6) month trading volume of the underlying security must have totaled at least fifteen (15) million shares and the underlying security must have at least forty (40) million shares currently outstanding.

(3) To be eligible for the 75,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least forty (40) million shares or the most recent six (6) month trading volume of the underlying security must have totaled at least thirty (30) million shares and the underlying security must have at least 120 million shares currently outstanding.

(4) To be eligible for the 200,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least eighty (80) million shares or the most recent six (6) month trading volume of the underlying security must have totaled at least sixty (60) million shares and the underlying security must have at least 240 million shares currently outstanding.

(5) To be eligible for the 250,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least 100 million shares or the most recent six (6) month trading volume of the underlying security must have totaled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.

(e) Every six (6) months, the Exchange will review the status of underlying securities to determine which limit should apply. A higher limit will be effective on the date set by the Exchange, while any change to a lower limit will take effect after the last expiration then trading, unless the requirement for the same or a higher limit is met at the time of the intervening six (6) month review. If, however, subsequent to a six (6) month review, an increase in volume and/or outstanding shares would make a stock eligible for a higher position limit prior to the next review, the Exchange in its discretion may immediately increase such position limit.

- (f) Control exists under this Rule 19.160 when it is determined that an individual or entity makes investment decisions for an account or accounts, or materially influences directly or indirectly the actions of any person who makes investment decisions.
- (1) Control will be presumed in the following circumstances, and will be presumed to continue until determined otherwise pursuant to paragraph (f)(2) below:
- (A) among all parties to a joint account who have authority to act on behalf of the account.
  - (B) among all general partners to a partnership account.
  - (C) when an individual or entity holds an ownership interest of ten percent (10%) or more in an entity (ownership interest of less than ten percent (10%) will not preclude aggregation), or shares in ten percent (10%) or more of profits and losses of an account.
  - (D) when accounts have common directors or management.
  - (E) where a person has the authority to execute transactions in an account.
- (2) Control, presumed by one or more of the above findings or circumstances, can be rebutted by proving that the factor does not exist or by showing other factors which negate the presumption of control. The rebuttal proof must be submitted by affidavit and/or such other documentary evidence as may be appropriate in the circumstances. The Exchange will also consider the following factors in determining if aggregation of accounts is required:
- (A) similar patterns of trading activity among separate entities.
  - (B) the sharing of kindred business purposes and interests.
  - (C) whether there is common supervision of the entities which extends beyond assuring adherence to each entity's investment objectives and/ or restrictions.
- (3) Initial determinations under this paragraph (f) shall be made by the IEX Regulation. The initial determination may be reviewed by the President or his designee, based upon a report by the IEX Regulation. An Options Member or customer directly affected by such a determination may ask the President or his designee to reconsider, but may not request any other review or appeal except in the context of a disciplinary proceeding. The decision to grant non-aggregation under this paragraph (f) shall not be retroactive.

.01 The position limits applicable to options contracts on the securities listed in the chart below are as follows:

<u>Security Underlying Option</u>	<u>Position Limit</u>
<u>SPDR® Dow Jones® Industrial Average<sup>SM</sup> ETF Trust (“DIA”)</u>	<u>300,000 contracts</u>
<u>SPDR® S&amp;P 500® ETF Trust (“SPY”)</u>	<u>3,600,000 contracts</u>
<u>iShares® Russell 2000 ETF (“IWM”)</u>	<u>1,000,000 contracts</u>
<u>iShares® MSCI Emerging Markets ETF (“EEM”)</u>	<u>1,000,000 contracts</u>
<u>Invesco QQQ Trust<sup>SM</sup> (“QQQ”)</u>	<u>1,800,000 contracts</u>
<u>iShares® China Large-Cap ETF (“FXI”)</u>	<u>1,000,000 contracts</u>
<u>iShares® MSCI EAFE ETF (“EFA”)</u>	<u>1,000,000 contracts</u>
<u>iShares® MSCI Brazil ETF (“EWZ”)</u>	<u>500,000 contracts</u>
<u>iShares® 20+ Year Treasury Bond ETF (“TLT”)</u>	<u>500,000 contracts</u>
<u>iShares® MSCI Japan ETF (“EWJ”)</u>	<u>500,000 contracts</u>
<u>iShares® iBoxx® \$ High Yield Corporate Bond ETF (“HYG”)</u>	<u>500,000 contracts</u>
<u>Financial Select Sector SPDR® Fund (“XLF”)</u>	<u>500,000 contracts</u>
<u>iShares® iBoxx® \$ Investment Grade Corporate Bond ETF (“LQD”)</u>	<u>500,000 contracts</u>
<u>VanEck Vectors Gold Miners ETF (“GDX”)</u>	<u>500,000 contracts</u>

.02 Whenever the Exchange determines that a higher margin requirement is warranted in light of the risks

associated with an under-hedged options position, the Exchange may impose additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Rule 29.130(b). The Clearing Member carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.

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### **Rule 19.170. Exemptions from Position Limits**

- (a) Equity Hedge Exemption. The following qualified hedging transactions and positions described in paragraphs (1) through (5) and (7) below shall be exempt from established position limits as prescribed under Rule 19.160(d). Hedge transactions and positions established pursuant to paragraphs six (6) and eight (8) below are subject to a position limit equal to five (5) times the standard limit established under Rule 19.160(d). The equity hedge exemption is in addition to the standard limit and other exemptions available under Rules.
- (1) Where each options contract is “hedged” or “covered” by 100 shares of the underlying security or securities convertible into such underlying security, or, in the case of an adjusted options contract, the same number of shares represented by the adjusted contract; (i) long call and short stock; (ii) short call and long stock; (iii) long put and long stock; (iv) short put and short stock.
  - (2) A long call position accompanied by a short put position, where the long call expires with the short put, and the strike price of the long call and short put is equal, and where each long call and short put position is hedged with 100 shares (or other adjusted number of shares) of the underlying security or securities convertible into such stock (“reverse conversion”).
  - (3) A short call position accompanied by a long put position where the short call expires with the long put, and the strike price of the short call and long put is equal, and where each short call and long put position is hedged with 100 shares (or other adjusted number of shares) of the underlying security or securities convertible into such stock (“conversion”).
  - (4) A short call position accompanied by a long put position, where the short call expires with the long put, and the strike price of the short call equals or exceeds the long put, and where each short call and long put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither side of the short call, long put position can be in-the-money at the time the position is established (“collar”).
  - (5) A long call position accompanied by a short put position where the long call expires with the short put and the strike price of the long call equals or exceeds the short put and where each long

call and short put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither side of the long call, short put position can be in-the-money at the time the position is established (“reverse collar”).

(6) A long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with a different strike price (“box spread”).

(7) An equity option position is delta neutral, subject to the following:

(A) The term “delta neutral” refers to an equity options position that is hedged, in accordance with a permitted pricing model as defined in paragraph (iii) below, by a position in the underlying security or one or more instruments relating to the underlying security, for the purpose of offsetting the risk that the value of the options position will change with incremental changes in the price of the security underlying the option position.

(B) An equity options position of an Options Member or non-Options Member affiliate of an Options Member that is delta neutral shall be exempt from established position limits. An equity options position that is not delta neutral shall be subject to position limits in accordance with Rule 19.160 (subject to the availability of other position limit exemptions). Only the options contract equivalent of the net delta of such position shall be subject to the appropriate position limit. The “options contract equivalent of the net delta” is the net delta divided by the number of shares underlying the options contract. The term “net delta” means, at any time, the number of shares (either long or short) required to offset the risk that the value of an equity option position will change with incremental changes in the price of the security underlying the option position, as determined in accordance with a permitted pricing model.

(C) A “permitted pricing model” means:

(i) A pricing model maintained and operated by the Options Clearing Corporation (“OCC Model”);

(ii) A pricing model maintained and used by an Options Member subject to consolidated supervision by the SEC pursuant to Appendix E of SEC Rule 15c3-1, or by an affiliate that is part of such Options Member’s consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with the requirements of Appendices E or G, as applicable, to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Exchange Act, as amended from time to time, in

connection with the calculation of risk-based deductions from capital or capital allowances for market risk thereunder, provided that the Options Member or affiliate of an Options Member relying on this exemption in connection with the use of such model is an entity that is part of such Options Member's consolidated supervised holding company group;

(iii) A pricing model maintained and used by a financial holding company or a company treated as a financial holding company under the Bank Holding Company Act of 1956, or by an affiliate that is part of either such company's consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with:

(a) the requirements of the Board of Governors of the Federal Reserve System, as amended from time to time, in connection with the calculation of risk based adjustments to capital for market risk under capital requirements of the Board of Governors of the Federal Reserve System, provided that the Options Member or affiliate of an Options Member relying on this exemption in connection with the use of such model is an entity that is part of such company's consolidated supervised holding company group; or

(b) the standards published by the Basel Committee on Banking Supervision, as amended from time to time and as implemented by such company's principal regulator, in connection with the calculation of risk-based deductions or adjustments to or allowances for the market risk capital requirements of such principal regulator applicable to such company – where "principal regulator" means a member of the Basel Committee on Banking Supervision that is the home country consolidated supervisor of such company – provided that the Options Member or affiliate of an Options Member relying on this exemption in connection with the use of such model is an entity that is part of such company's consolidated supervised holding company group.

(iv) A pricing model maintained and used by an OTC derivatives dealer registered with the SEC pursuant to SEC Rule 15c3-1(a)(5) in accordance with its internal risk management control system and consistent with the requirements of Appendix F to

SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Exchange Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital for market risk thereunder, provided that only such OTC derivatives dealer and no other affiliated entity (including an Options Member) may rely on this subparagraph (iv);

- (v) A pricing model used by a national bank under the National Bank Act maintained and used in accordance with its internal risk management control system and consistent with the requirements of the Office of the Comptroller of the Currency, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Office of the Comptroller of the Currency, provided that only such national bank and no other affiliated entity (including an Options Member) may rely on this subparagraph (v).

(D) Effect on Aggregation of Account Positions.

- (i) Options Members and non-Options Member affiliates who rely on this exemption must ensure that the permitted pricing model is applied to all positions in or relating to the security underlying the relevant option position that are owned or controlled by such Options Member or non-Options Member affiliate.
- (ii) Notwithstanding subparagraph (D)(i), the net delta of an option position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of such entity, may be calculated without regard to positions in or relating to the security underlying the option position held by an affiliated entity or by another trading unit within the same entity, provided that:
- (a) the entity demonstrates to the Exchange's satisfaction that no control relationship, as defined in Rule 19.160(f), exists between such affiliates or trading units; and
  - (b) the entity has provided the Exchange written notice in advance that it intends to be considered separate and distinct from any affiliate or, as applicable, which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.
- (iii) Notwithstanding subparagraph (D)(i) or (D)(ii), an Options Member or non-Options Member affiliate who relies on this exemption shall designate, by prior written notice

to the Exchange, each trading unit or entity whose option positions are required under Rules to be aggregated with the option positions of such Options Member or non-Options Member affiliate that is relying on this exemption for purposes of compliance with Exchange position limits or exercise limits. In any such case:

- (a) the permitted pricing model shall be applied, for purposes of calculating such Options Member's or affiliate's net delta, only to the positions in or relating to the security underlying any relevant option position owned and controlled by those entities and trading units who are relying on this exemption; and
- (b) the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption shall be aggregated with the nonexempt option positions of all other entities and trading units whose options positions are required under Rules to be aggregated with the option positions of such Options Member or affiliate.

(E) Obligations of Options Members and Affiliates.

- (i) An Options Member that relies on this exemption for a proprietary equity options position:
  - (a) must provide a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (C) above; and
  - (b) by such reliance authorizes any other person carrying for such Options Member an account including, or with whom such Options Member has entered into, a position in or relating to a security underlying the relevant option position to provide to the Exchange or the Clearing Corporation such information regarding such account or position as the Exchange or Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption.
- (ii) The equity option positions of a non-Options Member relying on this exemption must be carried by an Options Member with which it is affiliated.
- (iii) An Options Member carrying an account that includes an equity option position for a non-Options Member affiliate that intends to rely on this exemption must obtain

from such non-Options Member:

- (a) a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (C) above; and
  - (b) a written statement confirming that such non-Options Member affiliate:
    - (1) is relying on this exemption;
    - (2) will use only a permitted pricing model for purposes of calculating the net delta of its option positions for purposes of this exemption;
    - (3) will promptly notify the Options Member if it ceases to rely on this exemption;
    - (4) authorizes the Options Member to provide to the Exchange or the Clearing Corporation such information regarding positions of the non-Options Member affiliate as the Exchange or Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption; and
    - (5) if the non-Options Member affiliate is using the OCC Model, has duly executed and delivered to the Exchange such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.
- (F) Reporting. Each Options Member that holds or carries an account that relies on this exemption shall report, in accordance with Rule 19.190, all equity option positions (including those that are delta neutral) that are reportable thereunder. Each such Options Member on its own behalf or on behalf of a designated aggregation unit pursuant to Rule 19.170(a)(7)(D) shall also report, in accordance with Rule 19.190, for each such account that holds an equity option position subject to this exemption in excess of the levels specified in this Rule 19.170, the net delta and the options contract equivalent of the net delta of such position.
- (G) Records. Each Options Member relying on this exemption shall:
- (i) retain, and undertake reasonable efforts to ensure that any non-Options Member affiliate of the Options Member relying on this exemption retains, a list of the options,

securities and other instruments underlying each option position net delta calculation reported to the Exchange hereunder, and

(ii) produce such information to the Exchange upon request.

(8) A listed option position hedged on a one-for-one basis with an over-the-counter (“OTC”) option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.

(9) For those strategies described under (2), (3), (4), and (5) above, one component of the option strategy can be an OTC options contract guaranteed or endorsed by the firm maintaining the proprietary position or carrying the customer account.

(10) An OTC options contract is defined as an options contract that is not listed on a National Securities Exchange or cleared at the Options Clearing Corporation.

(b) Market Maker Exemption. The provisions set forth below apply only to Market Makers seeking an exemption to the standard position limits in all options traded on the Exchange for the purpose of assuring that there is sufficient depth and liquidity in the marketplace, and not to confer a right upon the Market Maker applying for an exemption.

(1) In light of the procedural safeguards, the purpose of this exemption process, and the prohibition against the granting of retroactive exemptions, decisions granting or denying exemptions are not subject to review under Chapter 9 (Code of Procedure) of the Rules.

(2) An exemption may be granted for the purpose of maintaining a fair and orderly market in the options on a given underlying security.

(3) Generally, an exemption will be granted only to a Market Maker who has requested an exemption, who is appointed to the options class in which the exemption is requested pursuant to Rule 23.120 (for Registered Market Makers) or Rule 23.130 (for Specialists), whose positions are near the current position limit and who is significant in terms of daily volume. The positions must generally be within ten percent (10%) of the limits contained in Rule 19.160 for equity options.

(4) If an exemption is granted, it will be effective at the time the decision is communicated, and retroactive exemptions will not be granted.

(5) The size and length of an exemption will be determined on a case by case basis; however, an exemption usually will be granted until the nearest expiration. The exemption may specify the

extent to which the resulting position may be carried in options in one or more expiration cycles.

(6) Procedures for Market Makers nearing the limits due to general market conditions:

- (A) A request for an exemption from the established position and exercise limits must be in writing and must state the specific reasons why an exemption should be granted.
- (B) The request should be submitted to the Exchange no later than 1:00 p.m. for same-day review.
- (C) Review of the request will be conducted informally, i.e., the Exchange may receive information in such manner as is most effective, in its discretion, to ascertain whether an exemption is necessary to maintain depth and liquidity in the market.
- (D) The Exchange will communicate the exemption decision to the requesting Market Maker and his or its Clearing Member as soon as possible, generally on the day following review.

(7) Requests for instant exemptions may be made for extraordinary situations, such as when there is an order imbalance or a Market Maker is near the limits intraday. Following immediate review of the situation, the Exchange will decide whether an exemption is warranted.

(8) Exemptions Granted by Other Options Exchanges. A Market Maker may rely upon any available exemptions from applicable position limits granted from time to time by another options exchange for any options contract traded on the Exchange provided that such Market Maker:

- (A) provides the Exchange with a copy of any written exemption issued by another options exchange or a written description of any exemption issued by another options exchange other than in writing containing sufficient detail for IEX Regulation to verify the validity of that exemption with the issuing options exchange, and
- (B) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemption with respect to the Market Maker's trading on the Exchange.

(c) Firm Facilitation Exemption. To the extent that the following procedures and criteria are satisfied, an Options Member may receive and maintain for its proprietary account an exemption ("facilitation exemption") from the applicable standard position limit in non-multiply-listed options traded on the Exchange for the purpose of facilitating, pursuant to the provisions of Rule 23.200, (1) orders for its own Public Customer (one that will have the resulting position carried with the firm) or (2) orders received from or on behalf of a Public Customer for execution only against the Options Member's

proprietary account.

- (1) The Options Member must receive approval from the Exchange prior to executing facilitating trades.
- (2) The facilitation exemption shall be granted to the Options Member owning or controlling the account in which the exempt options positions are held. For purposes of this paragraph (c), control shall be determined in accordance with the provision of 19.160(f).
- (3) Exchange approval may be given on the basis of verbal representations, in which event the Options Member shall, within a period of time to be designated by the Exchange, furnish the appropriate forms and documentation substantiating the basis for the exemption. The approval for the facilitation exemption will specify the maximum number of contracts that may be exempt under this paragraph (c). In no event may the aggregate exempted position under this paragraph (c) exceed twice the applicable standard limit.
- (4) The facilitation exemption is in addition to the standard limit and other exemptions available under these Rules. An Options Member so approved is hereinafter referred to as a “facilitation firm.”
- (5) The facilitation firm must provide all information required by the Exchange on approved forms and keep such information current. The facilitation firm shall promptly provide to the Exchange any information or documents requested concerning the exempted options positions and the positions hedging them.
- (6) The facilitation firm shall comply with the following provision regarding the execution of its Public Customer Order and its own facilitating order:
  - (A) the orders must be executed pursuant to Rule 23.200.
- (7) To remain qualified, a facilitation firm must, within five (5) business days after the execution of a facilitation exemption order, hedge all exempt options positions that have not previously been liquidated, and furnish the Exchange with documentation reflecting the resulting hedging positions.
- (8) The facilitation firm shall:
  - (A) liquidate and establish its Public Customer’s and its own options and stock positions or their equivalent in an orderly fashion, and not in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate its Public

Customer's or its own stock position or its equivalent with an equivalent index options position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option.

(B) promptly notify the Exchange of any material change in the exempted options position or the hedge.

(C) not increase the exempted options position once it is closed unless approval is received again pursuant to a reapplication under this paragraph (c).

(9) Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the facilitation exemption and may form the basis for subsequent denial of an application for a facilitation exemption hereunder.

### **Rule 19.180. Exercise Limits**

(a) Except with the prior permission of the President or his designee, to be confirmed in writing, no Options Member shall exercise, for any account in which it has an interest or for the account of any customer, a long position in any options contract where such Options Member or customer, acting alone or in concert with others, directly or indirectly, has or will have:

(1) exercised within any five (5) consecutive business days aggregate long positions in any class of options traded on the Exchange in excess of 25,000 or 50,000 or 75,000 or 200,000 or 250,000 options contracts or such other number of options contracts as may be fixed from time to time by the Exchange as the exercise limit for that class of options; or

(2) exceeded the applicable exercise limit fixed from time to time by another exchange for an options class not traded on the Exchange, when the Options Member is not a member of the other exchange which lists the options class.

(b) Reasonable notice shall be given of each new exercise limit fixed by the Exchange by posting notice thereof by the Exchange.

(c) Limits shall be determined in the manner described in Rule 19.160.

(d) For an Options Member that has been granted an exemption to position limits pursuant to Rule 19.170(a), the number of contracts which can be exercised over a five (5) business day period shall equal the Options Member's exempted position.

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**••• Supplementary Material •••**

.01 The exercise limits applicable to options contracts on the securities listed in the chart below are as follows:

<b><u>Security Underlying Option</u></b>	<b><u>Position Limit</u></b>
<u>SPDR® Dow Jones® Industrial Average<sup>SM</sup> ETF Trust (“DIA”)</u>	<u>300,000 contracts</u>
<u>SPDR® S&amp;P 500® ETF Trust (“SPY”)</u>	<u>3,600,000 contracts</u>
<u>iShares® Russell 2000 ETF (“IWM”)</u>	<u>1,000,000 contracts</u>
<u>iShares® MSCI Emerging Markets ETF (“EEM”)</u>	<u>1,000,000 contracts</u>
<u>Invesco QQQ Trust<sup>SM</sup> (“QQQ”)</u>	<u>1,800,000 contracts</u>
<u>iShares® China Large-Cap ETF (“FXI”)</u>	<u>1,000,000 contracts</u>
<u>iShares® MSCI EAFE ETF (“EFA”)</u>	<u>1,000,000 contracts</u>
<u>iShares® MSCI Brazil ETF (“EWZ”)</u>	<u>500,000 contracts</u>
<u>iShares® 20+ Year Treasury Bond ETF (“TLT”)</u>	<u>500,000 contracts</u>
<u>iShares® MSCI Japan ETF (“EWJ”)</u>	<u>500,000 contracts</u>
<u>iShares® iBoxx® \$ High Yield Corporate Bond ETF (“HYG”)</u>	<u>500,000 contracts</u>
<u>Financial Select Sector SPDR® Fund (“XLF”)</u>	<u>500,000 contracts</u>
<u>iShares® iBoxx® \$ Investment Grade Corporate Bond ETF (“LQD”)</u>	<u>500,000 contracts</u>
<u>VanEck Vectors Gold Miners ETF (“GDX”)</u>	<u>500,000 contracts</u>

**Rule 19.190. Reports Related to Position Limits**

- (a) In a manner and form prescribed by the Exchange, each Options Member shall report to the Exchange the name, address, and social security or tax identification number of any customer who, acting alone, or in concert with others, on the previous business day maintained aggregate long or short positions on the same side of the market of 200 or more contracts of any single class of options contracts dealt in on the Exchange. The report shall indicate for each such class of options, the number of options contracts comprising each such position and, in the case of short positions, whether covered or uncovered.
- (b) In addition to the reporting requirement described in paragraph (a) of this Rule, each Options Member (other than an Options Market Maker) that maintains a position in excess of 10,000 equity options contracts on the same side of the market on behalf of its own account or for the account of a customer, shall report information as to whether such positions are hedged, and provide documentation to as to how such contracts are hedged, in a manner and form prescribed by the Exchange. In addition, whenever the Exchange determines based on a report to the Exchange or otherwise, that a higher margin requirement is necessary in light of the risks associated with an under-hedged equity option position in excess of 10,000 contracts on the same side of the market, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Rule 29.130 (Margin Required is Minimum). Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.
- (c) In addition to the reports required by paragraph (a) of this Rule, each Options Member shall report promptly to the Exchange any instance in which the Options Member has reason to believe that a customer, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established pursuant to Rule 19.160 (Position Limits).
- (d) For purposes of this rule, the term “customer” in respect of any Options Member shall include the member, any general or special partner of the Options Member, any officer or director of the Options Member, or any participant, as such, in any joint, group or syndicate account with the Options Member or with any partner, officer or director thereof.

**Rule 19.200. Liquidation Positions**

- (a) Whenever the Exchange shall find that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in all options contracts or one or more classes or series traded on IEX Options in excess of the applicable position limit established

pursuant to Rule 19.160 (Position Limits), it may order all Options Members carrying a position in options contracts of such classes or series for such person or persons to liquidate such positions as expeditiously as possible, consistent with the maintenance of a fair and orderly market.

- (b) Whenever such an order is given, no Options Member shall accept any order to purchase, sell or exercise any options contract for the account of the person or persons named in the order, unless and until the Exchange expressly approves such person or persons for options transactions.

**Rule 19.210. Other Restrictions on Options Transactions and Exercises**

- (a) IEX Options may impose such restrictions on transactions or exercises in one or more series of options of any class traded on IEX Options as the Exchange in its judgment deems advisable in the interests of maintaining a fair and orderly market in options contracts or in underlying securities, or otherwise deems advisable in the public interest or for the protection of investors.

(1) During the effectiveness of such restrictions, no Options Member shall, for any account in which it has an interest or for the account of any Customer, engage in any transaction or exercise in contravention of such restrictions.

(2) Notwithstanding the foregoing, during the ten (10) business days prior to the expiration date of a given series of options, no restriction on exercise under this Rule may be in effect with respect to that series of options.

- (b) Whenever the issuer of a security underlying a call option traded on IEX Options is engaged or proposes to engage in a public underwritten distribution (“public distribution”) of such underlying security or securities exchangeable for or convertible into such underlying security, the underwriters may request that IEX Options impose restrictions upon all opening writing transactions in such options at a “discount” where the resulting short position will be uncovered (“uncovered opening writing transactions”).

(1) In addition to a request, the following conditions are necessary for the imposition of restrictions:

(A) less than a majority of the securities to be publicly distributed in such distribution are being sold by existing security holders;

(B) the underwriters agree to notify the Exchange upon the termination of their stabilization activities; and

(C) the underwriters initiate stabilization activities in such underlying security on a national securities exchange when the price of such security is either at a “minus” or “zero minus” tick.

- (2) Upon receipt of such a request and determination that the conditions listed above are met, the Exchange shall impose the requested restrictions as promptly as possible but no earlier than fifteen (15) minutes after the Options Members shall have been notified and shall terminate such restrictions upon request of the underwriters or when the Exchange otherwise discovers that stabilizing transactions by the underwriters has been terminated.
- (3) For purposes of paragraph (b) of this Rule, an uncovered opening writing transaction in a call option will be deemed to be effected at a “discount” when the premium in such transaction is either:
- (A) in the case of a distribution of the underlying security not involving the issuance of rights and in the case of a distribution of securities exchangeable for or convertible into the underlying security, less than the amount by which the underwriters’ stabilization bid for the underlying security exceeds the exercise price of such option; or
  - (B) in the case of a distribution being offered pursuant to rights, less than the amount by which the underwriters’ stabilization bid in the underlying security at the subscription price exceeds the exercise price of such option.

#### **Rule 19.220. Mandatory Systems Testing**

- (a) Each Options Member that the Exchange designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such systems with the Exchange’s systems in the manner and frequency prescribed by the Exchange. The Exchange will designate Options Members as required to participate in a system test based on: (1) the category of the Options Member (Market Maker, OEF, or Clearing Member); (2) the computer system(s) the Options Member uses; and (3) the manner in which the Options Member connects to the Exchange. The Exchange will give Options Members reasonable notice of any mandatory systems test, which notice will specify the nature of the test and Options Members’ obligations in participating in the test.
- (b) Every Options Member required by the Exchange to conduct or participate in testing of computer systems shall provide to the Exchange such reports relating to the testing as the Exchange may prescribe. Options Members shall maintain adequate documentation of tests required by this Rule and results of such testing for examination by the Exchange.
- (c) An Options Member that is subject to this Rule and that fails to conduct or participate in the tests, fails to file the required reports, or fails to maintain the required documentation, may be subject to a summary suspension or other action taken pursuant to Chapter 25 (Records, Reports and Audits) and/or a

disciplinary action pursuant to Chapter 8 (Investigations and Sanctions).

### **Rule 19.230. Limits on Outstanding Uncovered Short Positions**

- (a) Whenever it is determined from the reports of uncovered short positions submitted pursuant to Rule 25.110 (Reports of Uncovered Short Positions), viewed in light of current market conditions in options and in underlying securities, that there are outstanding an excessive number of uncovered short positions in options contracts of a given class traded on IEX Options or that an excessively high percentage of outstanding short positions in options contracts of a given class traded on IEX Options are uncovered, the Exchange may determine to prohibit Options Members from any further opening writing transactions on any exchange in options contracts of that class unless the resulting short position will be covered, and the Exchange may prohibit the uncovering of any existing covered short positions in one or more series of options of that class, as it deems appropriate in the interest of maintaining a fair and orderly market in options contracts or in underlying securities.
- (b) The Exchange may exempt transactions of Options Market Makers from restrictions imposed under this Rule. Such restrictions shall be rescinded upon a determination that they are no longer appropriate.

## **CHAPTER 20. SECURITIES TRADED ON IEX OPTIONS**

### **Rule 20.100. Designation of Securities**

Securities traded on IEX Options are options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month, exercise price and type (put or call).

### **Rule 20.110. Rights and Obligations of Holders and Writers**

The rights and obligations of holders and writers are set forth in the Rules of the Clearing Corporation.

### **Rule 20.120. Criteria for Underlying Securities**

- (a) Underlying securities with respect to which put or call options contracts are approved for listing and trading on IEX Options must meet the following criteria:
- (1) the security must be registered with the SEC and be an “NMS stock” as defined in Rule 600 of Regulation NMS under the Exchange Act; and
  - (2) the security shall be characterized by a substantial number of outstanding shares that are widely held and actively traded.

(b) In addition, the Exchange shall from time to time establish standards to be considered in evaluating potential underlying securities for listing on IEX Options. There are many relevant factors which must be considered in arriving at such a determination, and the fact that a particular security may meet the standards established by the Exchange does not necessarily mean that it will be selected as an underlying security. The Exchange may give consideration to maintaining diversity among various industries and issuers in selecting underlying securities. Notwithstanding the foregoing, an underlying security will not be selected unless:

- (1) There are a minimum of seven (7) million shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act.
- (2) There are a minimum of 2,000 holders of the underlying security.
- (3) The issuer is in compliance with any applicable requirements of the Exchange Act or Rules thereunder.
- (4) Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve (12) months.
- (5) Either:
  - (A) if the underlying security is a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933: (1) the market price per share of the underlying security has been at least \$3.00 for the previous three consecutive business days preceding the date on which the Exchange submits a certificate to the Options Clearing Corporation for listing and trading, as measured by the closing price reported in the primary market in which the underlying security is traded; however, (2) the requirements set forth in (5)(A)(1) will be waived during the three days following its initial public offering day for an underlying security having a market capitalization of at least \$3 billion based upon the offering price of its initial public offering, and may be listed and traded starting on or after the second business day following the initial public offering day; or
  - (B) if the underlying security is not a “covered security,” the market price per share of the underlying security has been at least \$7.50 for the majority of business days during the three (3) calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security

traded on each of the subject days.

**(c) Securities of Restructured Companies**

- (1) Definitions. The following definitions shall apply to the provisions of this paragraph (c):
  - (A) “Restructuring Transaction” refers to a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction.
  - (B) “Restructure Security” refers to an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company.
  - (C) “Original Equity Security” refers to a company’s equity security that is issued and outstanding prior to the effective date of a Restructuring Transaction of the company.
  - (D) “Relevant Percentage” refers to either: (i) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or (ii) thirty-three and one-third percent (33-1/3%), when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.
- (2) “Share” and “Number of Shareholder” Standards. In determining whether a Restructure Security satisfies the share standard set forth in paragraph (b)(1) of this Rule (the “Share Standard”) or the number of holders standard set forth in paragraph (b)(2) of this Rule (the “Number of Shareholders Standard”), the Exchange may rely upon the facts and circumstances that it expects to exist on the option’s intended listing date, rather than on the date on which the Exchange selects for options trading the underlying Restructure Security.
  - (A) The Exchange may assume that: (i) both the “Share” and “Number of Shareholders” Standards are satisfied if, on the option’s intended listing date, the Exchange expects no fewer than forty (40) million shares of the Restructure Security to be issued and outstanding; and (ii) either such Standard is satisfied if, on the option’s intended listing day, the Exchange expects the Restructure Security to be listed on an exchange or automatic quotation system that has, and is subject to, an initial listing requirement that is no less stringent than the Standard in question.
  - (B) The Exchange may not rely on any such assumption, however, if a reasonable

Exchange investigation or that of another exchange demonstrates that either the Share Standard or Number of Shareholders Standard will not in fact be satisfied on an option's intended listing date.

- (C) In addition, in the case of a Restructuring Transaction in which the shares of a Restructure Security are issued or distributed to the holders of shares of an Original Equity Security, the Exchange may determine that either the Share Standard or the Number of Shareholders Standard is satisfied based upon the Exchange's knowledge of the outstanding shares or number of shareholders of the Original Equity Security.
- (3) "Trading Volume" Standard. In determining whether a Restructure Security that is issued or distributed to the holders of shares of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies the trading volume standard set forth in Rule 20.120(b)(4) (the "Trading Volume Standard"), the Exchange may consider the trading volume history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (5) below.
- (4) "Market Price" Standard. In determining whether a Restructure Security satisfies the market price history standard set forth in Rule 20.120(b)(5) (the "Market Price Standard"), the Exchange may consider the market price history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if:
- (A) the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (5) below; and
- (B) in the case of the application of the Market Price Standard to a Restructure Security that is distributed pursuant to a public offering or a rights distribution: (i) the Restructure Security trades "regular way" on an exchange or automatic quotation system for at least the five (5) trading days immediately preceding the date of selection; and (ii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the date of selection, and the opening of trading on the date of selection, the market price of the Restructure Security was at least \$7.50, or, if the Restructure Security is a "covered security," as defined in Rule 20.120(b)(5)(A), the market price of the Restructure Security was at least \$3.00.

- (5) The “Substantiality Test” A Restructure Security satisfies the “Substantiality Test” if:
- (A) the Restructure Security has an aggregate market value of at least \$500 million; or
  - (B) at least one of the following conditions is met:
    - (i) the aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage of the aggregate market value of the Original Equity Security;
    - (ii) the aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
    - (iii) the revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.
- (6) A Restructure Security’s aggregate market value may be determined from “when issued” prices, if available.
- (7) In calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, the Exchange shall use the Restructure Security’s closing price on its primary market on the last business day prior to the selection date or the Restructure Security’s opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.
- (8) In calculating comparative asset values and revenues, the Exchange shall use either: (A) the issuer’s latest annual financial statements or (B) the issuer’s most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.
- (9) Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange may not rely upon the trading volume or market price history of an Original Equity Security as paragraph (c) of this Rule permits for any trading day unless it relies upon both of those measures for that trading day.

- (10) Once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange may not rely upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter.
- (11) "When Issued" Trading Prohibited. The Exchange shall not list for trading options contracts that overlie a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a "when issued" basis or on another basis that is contingent upon the issuance or distribution of shares.
- (d) In considering underlying securities, the Exchange shall ordinarily rely upon information made publicly available by the issuer and/or the markets in which the security is traded.
- (e) The word "security" shall be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" shall mean the unit of trading of such security.
- (f) Securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ("ADRs") if they meet the criteria and standards set forth in this Rule and if, in the case of ADRs:
- (1) The Exchange has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or
  - (2) the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least fifty percent (50%) of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together "other related ADRs and securities") over the three month period preceding the date of selection of the ADR for options trading; or
  - (3)
    - (A) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least twenty percent (20%) of the combined worldwide trading volume in the

ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading,

- (B) the average daily trading volume for the security in the U.S. markets over the three (3) months preceding the selection of the ADR for options trading is 100,000 or more shares, and
  - (C) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three (3) months preceding the date of selection of the ADR for options trading (“Daily Trading Volume Standard”),
  - (D) or the SEC otherwise authorizes the listing.
- (g) Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries (“International Funds”) if they meet the criteria and standards set forth in this Rule and either:
- (1) the Exchange has a market information sharing agreement with the primary home exchange for each of the securities held by the fund, or
  - (2) the International Fund is classified as a diversified fund as that term is defined by Section 5(b) of the Investment Company Act of 1940, as amended, and the securities held by the fund are issued by issuers based in five (5) or more countries.
- (h) A “market information sharing agreement” for purposes of this Rule is an agreement that would permit the Exchange to obtain trading information relating to the securities held by the fund including the identity of the member of the foreign exchange executing a trade. International Fund shares not meeting the criteria of paragraph (i) shall be deemed appropriate for options trading if the SEC specifically authorizes the listing thereof.
- (i) Securities deemed appropriate for options trading shall include shares or other securities (“Fund Shares”), including but not limited to Partnership Units as defined in this Rule, that are principally traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, and that (1) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, and that hold portfolios of securities comprising or otherwise based on or representing investments in indexes or portfolios of securities (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities) (“Funds”) and/or financial instruments

including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the “Financial Instruments”), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the “Money Market Instruments”) constituting or otherwise based on or representing an investment in an index or portfolio of securities and/or Financial Instruments and Money Market Instruments, or (2) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and /or non U.S. currency (“Commodity Pool ETFs”) or (3) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”), or (4) represent interests in the SPDR Gold Trust or are issued by the iShares COMEX Gold Trust or iShares Silver Trust; provided that all of the following conditions are met:

- (1) The Fund Shares either (A) meet the criteria and standards set forth in paragraphs (a) and (b) of this Rule above; or (B) the Fund Shares are available for creation or redemption each business day in cash or in kind from the investment company, commodity pool or other entity at a price related to net asset value, and the investment company, commodity pool or other entity is obligated to provide that Fund Shares may be created even if some or all of the securities and/or cash required to be deposited have not been received by the Fund, the unit investment trust or the management investment company, provided the authorized creation participant has undertaken to deliver the securities and/or cash as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the Fund, all as described in the Fund’s or unit trust’s prospectus; and
- (2) The Fund Shares meet the following criteria:

  - (A) the Fund Shares are listed pursuant to generic listing standards for series of portfolio depositary receipts or index fund shares based on international or global indexes under which a comprehensive surveillance sharing agreement is not required; or

- (B) any non-U.S. component stocks of the index or portfolio on which the Fund Shares are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;
  - (C) stocks for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index;
  - (D) stocks for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index;
  - (E) For Commodity Pool ETFs that engage in holding and/or managing portfolios or baskets commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities, options on non-U.S. currency and/or securities, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool ETFs are listed and traded; and
  - (F) For Currency Trust Shares, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded.
- (j) Securities deemed appropriate for options trading shall include shares or other securities (“Trust Issued Receipts”) that are principally traded on a national securities exchange or through the facilities of a national securities association and reported as a national market security, and that represent ownership of the specific deposited securities held by a trust, provided:
- (1) the Trust Issued Receipts (A) meet the criteria and standards for underlying securities set forth in paragraph (b) to this Rule; or (B) must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and
  - (2) not more than 20% of the weight of the Trust Issued Receipt is represented by ADRs on

securities for which the primary market is not subject to a comprehensive surveillance agreement.

(k) Notwithstanding the requirements set forth in paragraphs (b)(1), (b)(2), (b)(4), and (b)(5) above, options may be listed for trading on IEX Options if:

- (1) the underlying security meets the guidelines for continued listing in Rule 20.130 (Withdrawal of Approval of Underlying Securities); and
- (2) options on such underlying security are listed and traded on at least one other national securities exchange.

The Exchange shall employ the same procedures to qualify underlying securities pursuant to this subsection (k) as it employs in qualifying underlying securities pursuant to other subsections of this Rule.

(l) Index-Linked Securities

(1) Securities deemed appropriate for options trading shall include shares or other securities (“Equity Index-Linked Securities,” “Commodity-Linked Securities,” “Currency-Linked Securities,” “Fixed Income Index-Linked Securities,” “Futures-Linked Securities,” and “Multifactor Index-Linked Securities,” collectively known as “Index-Linked Securities”) that are principally traded on a national securities exchange and an “NMS Stock” (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described below:

(A) Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance of an underlying index or indexes of equity securities (“Equity Reference Asset”);

(B) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-Based Trust Shares or a basket or index of any of the foregoing (“Commodity Reference Asset”);

(C) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency Trust Shares (as

defined in this Rule), or a basket or index of any of the foregoing (“Currency Reference Asset”);

(D) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSE Securities”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing (“Fixed Income Reference Asset”);

(E) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance of an index of (i) futures on Treasury Securities, GSE Securities, supranational debt and debt of a foreign country or a subdivision thereof, or options or other derivatives on any of the foregoing; or (ii) interest rate futures or options or derivatives on the foregoing in this subparagraph (ii) (“Futures Reference Asset”); and (F) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets (“Multifactor Reference Asset”);

(2) For purposes of paragraph (1) of this Rule, Equity Reference Assets, Commodity Reference Asset, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as “Reference Assets.”

(3)

(A) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in sub-section (b) of this Rule; or

(B) the Index-Linked Securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents, satisfactory to the issuer of Index-Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

- (4) The Exchange will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.
- (m) “Partnership Unit” means a security (1) that is issued by a partnership that invests in any combination of futures contracts, options on futures contracts, forward contracts, commodities (as defined in Section 1(a)(4) of the Commodity Exchange Act) and/or securities; and (2) that is issued and redeemed daily in specified aggregate amounts at net asset value.

**Rule 20.130. Withdrawal of Approval of Underlying Securities**

- (a) If put or call options contracts with respect to an underlying security are approved for listing and trading on IEX Options, such approval shall continue in effect until such approval is affirmatively withdrawn by the Exchange. Whenever the Exchange determines that an underlying security previously approved for IEX Options Transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange shall not open for trading any additional series of options of the class covering that underlying security and shall prohibit any opening purchase transactions in series of options of that class previously opened to the extent it deems such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with the Exchange’s current approval maintenance requirements, regarding number of publicly held shares of publicly held principal amount, number of shareholders, trading volume or market price the Exchange may, in the interest of maintaining a fair and orderly market or for the protection of investors, determine to continue to open additional series of options contracts of the class covering that underlying security.
- (b) An underlying security will not be deemed to meet the Exchange’s requirements for continued approval whenever any of the following occur:
- (1) There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Exchange Act.
  - (2) There are fewer than 1,600 holders of the underlying security.
  - (3) The trading volume (in all markets in which the underlying security is traded) has been less than 1,800,000 shares in the preceding twelve (12) months.
  - (4) The underlying security ceases to be an “NMS stock” as defined in Rule 600 of Regulation

NMS under the Exchange Act.

- (5) If an underlying security is approved for options listing and trading under the provisions of Rule 20.120 (Criteria for Underlying Securities), the trading volume of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including “when-issued” trading, may be taken into account in determining whether the trading volume requirement of paragraph (b)(3) above is satisfied.
- (c) In considering whether any of the events specified in paragraph (b) of this Rule have occurred with respect to an underlying security, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.
- (d) If prior to the delisting of a class of options contracts covering an underlying security that has been found not to meet the Exchange’s requirements for continued approval, the Exchange determines that the underlying security again meets the Exchange’s requirements, the Exchange will open for trading additional series of options of that class and may lift any restriction on opening purchase transactions imposed by this Rule.
- (e) Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements, each Options Member shall, prior to effecting any transaction in options contracts with respect to such underlying security for a Customer, inform such Customer of such fact and of the fact that the Exchange may prohibit further transactions in such options contracts to the extent it shall deem such action necessary and appropriate.
- (f) If an ADR was initially deemed appropriate for options trading on the grounds that fifty percent (50%) or more of the worldwide trading volume (on a share-equivalent basis) in the ADR and other related ADRs and securities takes place in U.S. markets or in markets with which the Exchange has in place an effective surveillance sharing agreement, or if an ADR was initially deemed appropriate for options trading based on the daily trading volume standard in Rule 20.120 (Criteria for Underlying Securities), the Exchange may not open for trading additional series of options on the ADR unless:
- (1) the percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place effective surveillance sharing agreements for any consecutive three (3) month period is either: (A) at least thirty percent (30%) without regard to the average daily trading volume in the ADR, or

(B) at least fifteen percent (15%) when the average U.S. daily trading volume in the ADR for the previous three (3) months is at least 70,000 shares; or

(2) the Exchange then has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or

(3) the SEC has otherwise authorized the listing thereof.

(g) Fund Shares approved for options trading pursuant to Rule 20.120 (Criteria for Underlying Securities) will not be deemed to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of options contracts of the class covering such Fund Shares if the security is delisted from trading as provided in subparagraph (b)(4) of this Rule. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Fund Shares in any of the following circumstances:

(1) In the case of options covering Fund Shares approved pursuant to Rule 20.120, in accordance with the terms of subparagraphs (b)(1), (2) and (3) of this Rule;

(2) In the case of options covering Fund Shares approved pursuant to Rule 20.120(i), following the initial twelve-month period beginning upon the commencement of trading in the Fund Shares on a national securities exchange and are defined as NMS stock under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Fund Shares for 30 consecutive days;

(3) the value of the index, non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments or Money Market Instruments, or portfolio of securities on which the Fund Shares are based is no longer calculated or available; or

(4) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing in such options on IEX Options inadvisable.

(h) Securities initially approved for options trading pursuant to paragraph (j) of Rule 20.120 (Criteria for Underlying Securities) (such securities are defined and referred to in that paragraph as “Trust Issued Receipts”) shall not be deemed to meet the Exchange’s requirements for continued approval, and the Exchange shall not open for trading any additional series of options contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted and trading in the Receipts is

suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national securities association. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:

- (1) in accordance with the terms of paragraph (b) of this Rule in the case of options covering Trust Issued Receipts when such options were approved pursuant to subparagraph (j)(1)(A) under Rule 20.120 (Criteria for Underlying Securities);
  - (2) upon annual review, the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 consecutive days;
  - (3) the Trust has fewer than 50,000 receipts issued and outstanding;
  - (4) the market value of all receipts issued and outstanding is less than \$1,000,000; or
  - (5) such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on IEX Options inadvisable.
- (i) For Trust Issued Receipts approved for options trading pursuant to paragraph (j) of Rule 20.120 (Criteria for Underlying Securities) that are also Holding Company Depository Receipts (“HOLDRs”), the Exchange will not open additional series of options overlying HOLDRs (without prior Commission approval) if: (1) the proportion of securities underlying standardized equity options to all securities held in a HOLDRs trust is less than 80% (as measured by their relative weightings in the HOLDRs trust); or (2) less than 80% of the total number of securities held in a HOLDRs trust underlie standardized equity options.
- (j) Index Linked Securities

Absent exceptional circumstances, Index-Linked Securities (“Securities”) initially approved for options trading pursuant to paragraph (l) of Rule 20.120 (Criteria for Underlying Securities) shall not be deemed to meet the Exchange’s requirements for continued approval, and the Exchange shall not open for trading any additional series or option contracts of the class covering such Securities whenever the underlying Securities are delisted and trading in the Securities is suspended on a national securities exchange, or the Securities are no longer an “NMS Stock” (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934). In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Index-Linked Securities in any of the

following circumstances:

- (1) the underlying Index-Linked Security fails to comply with the terms of paragraph (l) of Rule 20.120 (Criteria for Underlying Securities);
- (2) in accordance with the terms of paragraph (b) of this Rule, in the case of options covering Index-Linked Securities when such options were approved pursuant to paragraph (l) of Rule 20.120 (Criteria for Underlying Securities), except that, in the case of options covering Index-Linked Securities approved pursuant to Rule 20.120(l)(3)(B) that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are “NMS” stock as defined in Rule 600 of Regulation NMS;
- (3) in the case of any Index-Linked Security trading pursuant to paragraph (l) of Rule 20.120 (Criteria for Underlying Securities), the value of the Reference Asset is no longer calculated; or
- (4) such other event shall occur or condition exist that in the opinion of the Exchange make further dealing in such options on the Exchange inadvisable.

(k) Inadequate Volume Delisting

Absent exceptional circumstances, a security initially approved for options trading may be deemed by the Exchange not to meet the requirements for continued approval, in which case the Exchange will not open for trading any additional series of equity options contracts of the class of options and may determine to delist the class of options if it meets the following criteria:

- (1) the option has been trading on the Exchange not less than six (6) months; and
- (2) the Exchange average daily volume (“ADV”) of the entire class of options over the last six (6) month period was less than twenty (20) contracts.

If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest. Should the Exchange determine to delist an equity option pursuant to this subsection, it will provide notification of the determination to delist such option not less than three (3) days prior to the scheduled delisting date.

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**••• Supplementary Material •••**

.01 If an options series is listed but restricted to closing transactions on another national securities exchange, the Exchange may list such series (even if such series would not otherwise be eligible for listing under the Exchange's rules), which shall also be restricted to closing transactions on the Exchange.

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#### **Rule 20.140. Series of Options Contracts Open for Trading**

- (a) After a particular class of options has been approved for listing and trading on IEX Options by the Exchange, the Exchange from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on IEX Options. Prior to the opening of trading in a given series, the Exchange will fix the expiration month, year and exercise price of that series. For Quarterly Options Series and Short Term Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .04 and .05, respectively. For Monthly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .07.
- (b) Except for Short Term Options Series, Monthly Options Series, and Quarterly Options Series, at the commencement of trading on IEX Options of a particular class of options, IEX Options will open a minimum of one (1) series of options in that class. The exercise price of the series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on IEX Options. Supplementary Material .04 will govern the procedures for opening Quarterly Options Series. Supplementary Material .05 will govern the procedures for opening Short Term Options Series. Supplementary Material .07 will govern the procedures for opening Monthly Options Series.
- (c) Additional series of options of the same class may be opened for trading on IEX Options when the Exchange deems it necessary to maintain an orderly market, to meet Customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to expiration.
- (d) Except as otherwise provided in this Rule and the Supplementary Materials hereto, the interval between strike prices of series of options on individual stocks will be:

- (1) \$2.50 or greater where the strike price is \$25.00 or less;
  - (2) \$5.00 or greater where the strike price is greater than \$25.00; and
  - (3) \$10.00 or greater where the strike price is greater than \$200.00, except as provided in (d)(5) below.
  - (4) The interval between strike prices of series of options on Fund Shares approved for options trading pursuant to Rule 20.120(i) shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on IEX Options, or at such intervals as may have been established on another options exchange prior to the initiation of trading on IEX Options. Notwithstanding any other provision regarding the interval between strike prices of series of options on Fund Shares in this Rule, the interval between strike prices of series of options on Standard & Poor's Depository Receipts Trust ("SPY"), iShares S&P 500 Index ETF ("IVV"), SPDR® Gold Shares ("GLD"), and the DIAMONDS Trust ("DIA") will be \$1 or greater.
  - (5) The Exchange may list series in intervals of \$5 or greater where the strike price is more than \$200 in up to five (5) options classes on individual stocks. The Exchange may list \$5 strike prices on any other options classes designated by other securities exchanges that employ a similar \$5 Strike Price Program.
- (e) The Exchange will open at least one expiration month for each class of options open for trading on IEX Options.
- (f) The interval of strike prices may be \$2.50 in any multiply-traded options class to the extent permitted on IEX Options by the SEC or once another exchange trading that options class lists strike prices of \$2.50 on such options class.
- (g) Notwithstanding the requirements set forth in this Rule and any Supplementary Material thereto:
- (1) During the expiration week of an options class that is selected for the Short Term Options Series Program pursuant to Supplementary Material .05 of this Rule ("Short Term Options"), the strike price intervals for the related non-Short Term Options ("Related non-Short Term Options") shall be the same as the strike price intervals for the Short Term Options.
  - (2) During the week before the expiration week of a Short Term Options series, the Exchange shall open the related non-Short Term Options for trading in Short Term Options intervals in the same manner permitted by Supplementary Material .05 of this Rule.
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**••• Supplementary Material •••**

.01 The interval between strike prices of series of options on individual stocks may be \$2.50 or greater where the strike price is \$25 or less, provided however, that IEX Options may not list \$2.50 intervals below \$50 (e.g. \$12.50, \$17.50) for any class included within the \$1 Strike Price Program, as detailed below in Supplementary Material .02, if the addition of \$2.50 intervals would cause the class to have strike price intervals that are \$0.50 apart. For series of options on Exchange-Traded Fund Shares that satisfy the criteria set forth in Rule 20.120(i), the interval of strike prices may be \$1 or greater where the strike price is \$200 or less or \$5 or greater where the strike price is over \$200. Exceptions to the strike price intervals above are set forth in Supplementary Materials .02 and .03 below.

.02 The interval between strike prices of series of options on individual stocks may be:

- (a) \$1.00 or greater (“\$1 Strike Prices”) provided the strike price is \$50 or less, but not less than \$1. The listing of \$1 strike prices shall be limited to options classes overlying no more than one hundred fifty (150) individual stocks (the “\$1 Strike Price Program”) as specifically designated by IEX Options. IEX Options may list \$1 Strike Prices on any other options classes if those classes are specifically designated by other national securities exchanges that employ a similar \$1 Strike Price Program under their respective rules. If a class participates in the \$1 Strike Price Program, \$2.50 strike price intervals are not permitted between \$1 and \$50 for non-LEAPS and LEAPS.
- (b) To be eligible for inclusion into the \$1 Strike Price Program, an underlying security must close below \$50 in the primary market on the previous trading day. After a security is added to the \$1 Strike Price Program, IEX Options may list \$1 Strike Prices from \$1 to \$50 that are no more than \$5 from the closing price of the underlying on the preceding day. For example, if the underlying security closes at \$13, IEX Options may list strike prices from \$8 to \$18. IEX Options may not list series with \$1 intervals within \$0.50 of an existing strike price in the same series, except that strike prices of \$2, \$3, \$4, \$5 and \$6 shall be permitted within \$0.50 of an existing strike price for classes also selected to participate in the \$0.50 Strike Program.

A security shall remain in the \$1 Strike Price Program until otherwise designated by IEX Options.

- (c) Delisting Policy. For options classes selected to participate in the \$1 Strike Price Program, the Exchange will, on a monthly basis, review series that were originally listed under the \$1 Strike Price Program with strike prices that are more than \$5 from the current value of an options

class and delist those series with no open interest in both the put and the call series having a: (1) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (2) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month. If the Exchange identifies series for delisting pursuant to this policy, the Exchange shall notify other options exchanges with similar delisting policies regarding the eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, the Exchange may grant Options Member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the \$1 Strike Price Program that are eligible for delisting.

.03

- (a) The options exchanges may select up to 200 options classes on individual stocks for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than \$50. The 200 options classes are selected by the various options exchanges pursuant to any agreement mutually agreed to by the individual exchanges and approved by the Commission. The strike price interval may be \$2.50 in any multiply traded option once another exchange trading that option selects such option, as part of this program.
- (b) In addition, on any options class that has been selected as part of the \$2.50 Strike Price Program pursuant to paragraph (a) above, the Exchange may list \$2.50 strike prices between \$50 and \$75, provided the \$2.50 strike prices between \$50 and \$75 are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of \$2.50 Strike Price Program, and the underlying stock closes at \$48.50 in its primary market, the Exchange may list the \$52.50 strike price and the \$57.50 strike price on the next business day. If an underlying security closes at \$54, the Exchange may list the \$52.50 strike price, the \$57.50 strike price, and the \$62.50 strike price on the next business day.
- (c) An options class shall remain in the \$2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to the Options Clearing Corporation.

.04 Quarterly Options Series Program: The Exchange may list and trade P.M. settled options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series").

The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are options on exchange traded funds (“ETF”). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

- (a) The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.
- (b) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two, but no more than five, strike prices above and at least two, but no more than five, strike prices below the value of the underlying index or price of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange will list strike prices for Quarterly Options Series that are reasonably related to the current price of the underlying security or current index value of the underlying index to which such series relates at about the time such series of options is first opened for trading on the Exchange. The term “reasonably related to the current price of the underlying security or index value of the underlying index” means that the exercise price is within 30% of the current underlying security price or index value.
- (c) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or “Fund Shares”) as defined in Rule 20.120(i) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Options Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each Quarterly Options Series in ETF options.
- (d) The interval between strike prices on Quarterly Options Series shall be the same as the interval

for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

- (e) Delisting Policy. With respect to Quarterly Options Series added pursuant to the above paragraphs, the Exchange will, on a monthly basis review series that are outside of a range of five (5) strikes above and five (5) strikes below the current price of the ETF, and delist series with no open interest in both the call and the put series having a (1) strike higher than the highest price with open interest in the put and/or call series for a given expiration month; and (2) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration month.

Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series eligible for delisting shall be granted. In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to help to ensure uniform delisting of multiply listed Quarterly Options Series in ETF options.

.05 Short Term Options Series Program. After an options class has been approved for listing and trading on IEX Options, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Options Opening Date”) series of options on that class that expire on each of the next five (5) Fridays that are business days and are not Fridays in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Friday Short Term Options Expiration Dates”). The Exchange may have no more than a total of five Friday Short Term Options Expiration Dates (“Short Term Options Weekly Expirations). If IEX Options is not open for business on the respective Thursday or Friday, the Short Term Options Opening Date for Short Term Options Weekly Expirations will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if IEX Options is not open for business on the Friday that the options are set to expire, the Short Term Options Expiration Date for Short Term Options Weekly Expirations will be the first business day immediately prior to that Friday. Regarding Short Term Options Series:

- (a) The Exchange may select up to fifty (50) currently listed options classes on which Short Term Options Series may be opened on any Short Term Options Opening Date. In addition to the 50 options class restriction, the Exchange also may list Short Term Options Series on any options classes that are selected by other securities exchanges that employ a similar program under

their respective rules. For each options class eligible for participation in the Short Term Options Series Program, the Exchange may open up to thirty (30) Short Term Options Series for each expiration date in that class. The Exchange may also open Short Term Options Series that are opened by other securities exchanges in options classes selected by such exchanges under their respective short term options rules.

- (b) With the exception of Short Term Options Daily Expirations, no Short Term Options Series may expire in the same week in which standard expiration options series on the same class expire or, in the case of Monthly Options Series and Quarterly Options Series, on an expiration that coincides with an expiration of a Monthly Options Series or Quarterly Options Series, respectively, on the same class.
- (c) Initial Series. The Exchange may open up to thirty (30) initial series for each options class that participates in the Short Term Options Series Program. The strike price of each Short Term Options Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying security at about the time that the Short Term Options Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying is less than or equal to \$20, strike prices shall be not more than 100% above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, strike prices shall be not more than fifty (50%) above or below the price of the underlying security.
- (d) Additional Series. If the Exchange opens less than thirty (30) Short Term Options Series for a Short Term Options Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying is less than or equal to \$20, strike prices shall be not more than 100% above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, strike prices shall be not more than fifty (50%) above or below the price of the underlying security. The Exchange may also open

additional strike prices of Short Term Options Series that are more than 50% above or below the current value of the underlying security (if the price is greater than \$20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers, provided that such strike prices comply with the Options Listing Procedures Plan. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Options Series shall not affect the series of options of the same class previously opened. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security and all existing series have open interest, the Exchange may list additional series, in excess of the thirty series per class limit set forth in paragraph (c) above, that are between 10% and 30% above or below the price of the underlying security. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. Notwithstanding any other provisions in this Rule, Short Term Options Series may be added up to and including on the Short Term Options Expiration Date for that options series.

- (e) Strike Interval. The interval between strike prices on Short Term Options Series shall be the same as the strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle. During the expiration week of an options class that is selected for the Short Term Options Series Program pursuant to this rule (“Short Term Options”), the strike price intervals for the related non-Short Term Options (“Related non-Short Term Options”) shall be the same as the strike price intervals for the Short Term Options. If the class does not trade in \$1 strike price intervals, the strike price interval for Short Term Options Series may be (i) \$0.50 or greater where the strike price is less than \$100; (ii) \$1.00 or greater where the strike price is between \$100 and \$150; or (iii) \$2.50 or greater for strike prices greater than \$150. During the week before the expiration week of a Short Term Options Series, the Exchange shall open the related non-Short Term Options for trading in Short Term Options intervals in the same manner permitted by this Supplementary Material .05.
- (f) Strike Interval Limitations. Notwithstanding paragraph (e) above, when Short Term Options Series in equity options (excluding options on ETFs and ETNs) have an expiration more than 21

days from the listing date, the strike interval for each options class will be based on the table below, which specifies the applicable interval for listing.

<u>Tier</u>	<u>Average Daily Volume</u>	<u>Share Price</u>					
		<u>Less than \$2.50</u>	<u>\$2.50 to less than \$25</u>	<u>\$25 to less than \$75</u>	<u>\$75 to less than \$150</u>	<u>\$150 to less than \$500</u>	<u>\$500 or greater</u>
<u>1</u>	<u>Greater than 5,000</u>	<u>\$0.50</u>	<u>\$0.50 for strikes less than \$100 in Short Term Options Series Program classes and classes that trade in \$1 increments in non-Short Term Options Series</u>  <u>\$1.00 for strikes between \$100 and \$150 for classes that do not otherwise trade in \$1.00 increments in non-Short Term Options Series</u>  <u>\$2.50 for strikes greater than</u>	<u>\$1.00 for strikes less than \$150</u>  <u>\$2.50 for strikes greater than \$150</u>	<u>\$1.00 for strikes less than \$150</u>  <u>\$2.50 for strikes greater than \$150</u>	<u>\$5.00</u>	<u>\$5.00</u>

			<u>\$150</u>				
<u>2</u>	<u>Greater than 1,000 to 5,000</u>	<u>\$0.50</u>	<u>\$1.00 for strikes less than \$150</u> <u>\$2.50 for strikes greater than \$150</u>	<u>\$1.00 for strikes less than \$150</u> <u>\$2.50 for strikes greater than \$150</u>	<u>\$1.00 for strikes less than \$150</u> <u>\$2.50 for strikes greater than \$150</u>	<u>\$5.00</u>	<u>\$10.00</u>
<u>3</u>	<u>0 to 1,000</u>	<u>\$0.50</u>	<u>\$2.50</u>	<u>\$5.00</u>	<u>\$5.00</u>	<u>\$5.00</u>	<u>\$10.00</u>

- (1) The Share Price is the closing price on the primary market on the last day of the calendar quarter. In the event of a corporate action, the Share Price of the surviving company is utilized.
- (2) The Average Daily Volume is the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume is calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume is calculated using the quarter prior to the last trading calendar quarter.
- (3) Options that are newly eligible for listing pursuant to Rule 20.120 and designated to participate in the Short Term Options Program will not be subject to this paragraph (f) until after the end of the first full calendar quarter following the date the options class was first listed for trading on any options market.
- (g) Notwithstanding the requirements set forth in this Rule and any Supplementary Materials thereto, the Exchange may open for trading Short Term Options Series on the Short Term Options Opening Date that expire on the Short Term Options Expiration Date at \$0.50 strike price intervals for options classes that trade in one dollar increments and are in the Short Term Options Series Program.

*(h) Short Term Options Daily Expirations*

*In addition to the above, the Exchange may open for trading series of options on the symbols provided in Table 1 below that expire at the close of business on each of the next two Mondays, Tuesdays, Wednesdays, and Thursdays, respectively, that are business days beyond the current week and are not business days on which standard expiration options series, Monthly Options Series or Quarterly Options Series expire (“Short Term Options Daily Expirations”). The Exchange may have no more than a total of two Short Term Options Daily Expirations beyond the current week for each of Monday, Tuesday, Wednesday, and Thursday expirations at one time. Short Term Options Daily Expirations would be subject to this Supplementary Material .05.*

*Table 1*

<i>Symbol</i>	<i>Number of Expirations</i>			
	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>
<i>SPY</i>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<i>IWM</i>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<i>QQQ</i>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<i>USO</i>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>
<i>UNG</i>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>
<i>GLD</i>	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>
<i>SLV</i>	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>
<i>TLT</i>	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>

*With respect to Monday expirations for symbols defined in Table 1 above (“Monday Expirations”), the Exchange may open for trading on any Friday or Monday that is a business day series of options on the*

symbols provided in Table 1 above that expire at the close of business on each of the next two Mondays that are business days and are not business days on which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Monday Short Term Options Expiration Date”), provided that Monday Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. With respect to Tuesday expirations for symbols defined in Table 1 above (“Tuesday Expirations”), the Exchange may open for trading on any Monday or Tuesday that is a business day series of options on the symbols provided in Table 1 above that expire at the close of business on each of the next two Tuesdays that are business days and are not business days on which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Tuesday Short Term Options Expiration Date”). With respect to Wednesday expirations for symbols defined in Table 1 above (“Wednesday Expirations”), the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the symbols provided in Table 1 above that expire at the close of business on each of the next two Wednesdays that are business days and are not business days on which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Wednesday Short Term Options Expiration Date”). With respect to Thursday expirations for symbols defined in Table 1 above (“Thursday Expirations”), the Exchange may open for trading on any Wednesday or Thursday that is a business day series of options on the symbols provided in Table 1 above that expire at the close of business on each of the next two Thursdays that are business days and are not business days on which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Thursday Short Term Options Expiration Date”). Monday Short Term Options Expiration Dates, Tuesday Short Term Options Expiration Dates, Wednesday Short Term Options Expiration Dates, and Thursday Short Term Options Expiration Dates, together with Friday Short Term Options Expiration Dates, are collectively “Short Term Options Expiration Dates.” If the Exchange is not open for business on a Monday, the Monday Short Term Options Expiration Date will be the business day immediately following that Monday. If the Exchange is not open for business on a Tuesday, Wednesday, or Thursday, the Tuesday Short Term Options Expiration Date, Wednesday Short Term Options Expiration Date, and Thursday Short Term Options Expiration Date, respectively, will be the first business day immediately prior to that Tuesday, Wednesday, or Thursday, respectively.

.06 The interval between strike prices of series of options on individual stocks may be \$0.50 or greater beginning at \$.50 where the strike price is \$5.50 or less, but only for options classes whose underlying security closed at or below \$5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1,000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of \$0.50 strike prices shall be limited to

options classes overlying no more than 20 individual stocks (the “\$0.50 Strike Program”) as specifically designated by IEX Options. IEX Options may list \$0.50 strike prices on any other options classes if those classes are specifically designated by other securities exchanges that employ a similar \$0.50 Strike Program under their respective rules. A stock shall remain in the \$0.50 Strike Program until otherwise designated by IEX Options.

.07 Monthly Options Series Program. The Exchange may list and trade options series that expire at the close of business on the last business day of a calendar month (“Monthly Options Series”).

- (a) Classes. The Exchange may list Monthly Options Series for up to five currently listed options classes that are options on ETFs. In addition, the Exchange may also list Monthly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.
- (b) Expiration. The Exchange may list 12 expirations for Monthly Options Series. Monthly Options Series expirations need not be for consecutive months; however, the expiration date of a nonconsecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. No Monthly Options Series may expire on a date that coincides with an expiration date of a Quarterly Options Series in the same index or ETF class. Other expirations in the same class are not counted as part of the maximum numbers of Monthly Options Series expirations for a class.
- (c) Settlement. Monthly Options Series will be P.M.-settled.
- (d) Initial Series. The strike price of each Monthly Options Series will be fixed at a price per share, with at least two, but no more than five, strike prices above and at least two, but no more than five, strike prices below the value of the underlying index or price of the underlying security at about the time that a Monthly Options Series is opened for trading on the Exchange. The Exchange will list strike prices for Monthly Options Series that are reasonably related to the current price of the underlying security or current index value of the underlying index to which such series relates at about the time such series of options is first opened for trading on the Exchange. The term “reasonably related to the current price of the underlying security or index value of the underlying index” means that the exercise price is within 30% of the current underlying security price or index value.
- (e) Additional Series. Additional Monthly Options Series of the same class may be open for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet

customer demand, or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices will be within 30% above or below the closing price of the underlying index or security on the preceding day. The Exchange may also open additional strike prices of Monthly Options Series that are more than 30% above or below the current price of the underlying index or security, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market Makers trading for their own account will not be considered when determining customer interest under this provision. The opening of the new Monthly Options Series will not affect the series of options in the same class previously opened.

(f) Strike Interval. The interval between strike prices on Monthly Options Series will be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(g) Delisting Policy.

(1) With respect to Monthly Options Series added pursuant to subparagraphs (a) through (f) above, the Exchange will, on a monthly basis, review series that are outside a range of five strikes above and five strikes below the current price of the underlying index or security, and delist series with no open interest in both the put and the call series having a: (A) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (B) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Monthly Options Series in series eligible for delisting shall be granted.

(3) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange will notify other options exchanges with similar delisting policies regarding eligible series for delisting and will work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Monthly Options Series.

#### .08 Low Priced Stock Strike Price Interval Program

(a) Eligibility for the Low Priced Stock Strike Price Interval Program. To be eligible for inclusion

in the Low Priced Stock Strike Price Interval Program, an underlying stock must (1) close below \$2.50 in its primary market on the previous trading day; and (2) have an average daily trading volume of at least 1,000,000 shares per day for the three preceding calendar months.

(b) Strike Prices To Be Added. After a stock is added to the Low Priced Stock Strike Price Interval Program, the Exchange may list \$0.50 strike price intervals from \$0.50 up to \$2.00.

(1) For the purpose of adding strikes under the Low Priced Stock Strike Price Interval Program, the “price of the underlying stock” is measured in the same way as “the price of the underlying security” is measured as set forth in Section 3(g) the Options Listing Procedures Plan.

(2) No additional series in \$0.50 intervals may be listed if the underlying stock closes above \$2.50 in its primary market. Additional series in \$0.50 intervals may not be added until the underlying stock again closes below \$2.50.

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### **Rule 20.150. Adjustments**

Options contracts shall be subject to adjustments in accordance with the Rules of the Clearing Corporation. The Exchange will announce adjustments, and such changes will be effective for all subsequent transactions in that series at the time specified in the announcement.

### **Rule 20.160. Long-Term Options Contracts**

Notwithstanding conflicting language in Rule 20.140 (Series of Options Contracts Open for Trading), the Exchange may list long-term options contracts that expire from twelve (12) to thirty-nine (39) months from the time they are listed. There may be up to ten (10) additional expiration months for options on SPY and up to six (6) additional expiration months for all other options classes. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine (9) months.

## **CHAPTER 21. REGULATION OF TRADING ON IEX OPTIONS**

### **Rule 21.100. Access and Conduct on the IEX Options Market**

(a) Access to IEX Options

Unless otherwise provided in the Rules, no one but an Options Member or a person associated with an Options Member shall effect any IEX Options Transactions.

(b) IEX Options Conduct

Options Members and persons employed by or associated with any Options Member, while using the facilities of IEX Options, shall not engage in conduct: (1) inconsistent with the maintenance of a fair and orderly market; (2) apt to impair public confidence in the operations of the Exchange; or (3) inconsistent with the ordinary and efficient conduct of business. Activities that shall violate the provisions of this paragraph (b) include, but are not limited to, the following:

- (1) failure of an Options Market Maker to provide quotations in accordance with Rule 23.150 (Market Maker Quotations);
- (2) failure of an Options Market Maker to bid or offer within the ranges specified by Rule 23.140 (Obligations of Market Makers);
- (3) failure of an Options Member to supervise a person employed by or associated with such Options Member adequately to ensure that person's compliance with this paragraph (b);
- (4) failure to maintain adequate procedures and controls that permit the Options Member to effectively monitor and supervise the entry of orders by users to prevent the prohibited practices set forth in this paragraph (b) and Rule 19.110 (Conduct and Compliance with Rules);
- (5) failure to abide by a determination of the Exchange;
- (6) effecting transactions that are manipulative as provided in Rule 10.110 (Market Manipulation) or any other rule of the Exchange;
- (7) refusal to provide information requested by the Exchange; and
- (8) failure to abide by the provisions of Rule 23.200.

(c) Subject to the Rules, the Exchange will provide access to the Trading System to Options Members in good standing that wish to conduct business on IEX Options.

(d) Pursuant to the Rules and the arrangements referred to in this Chapter 21, the Exchange may:

- (1) suspend a User's access to the Trading System following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or
- (2) terminate a User's access to the Trading System by notice in writing.

**Rule 21.110. Surveillance**

Personnel from the Exchange shall monitor and surveil options trading on IEX Options in order to ensure the maintenance of a fair and orderly market.

**Rule 21.120. Trading Halts****(a) Halts.**

The Exchange may halt trading in any options contract in the interests of a fair and orderly market. The following are among the factors that shall be considered in determining whether the trading in an options contract should be halted:

- (1) trading in the underlying security has been halted, or suspended in the primary market;
- (2) the opening of such underlying security has been delayed because of unusual circumstances;
- (3) occurrence of an act of God or other event outside the Exchange's control;
- (4) a Trading System technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of Options Member trading applications, or the electrical power supply to the system itself or any related system; or
- (5) other unusual conditions or circumstances are present.

(b) In the event the Exchange determines to halt trading, all trading in the effected class or classes of options shall be halted and the Exchange shall process new and existing orders and quotes in a series in accordance with Rule 22.160(g). IEX Options shall disseminate through its trading facilities and over OPRA a symbol with respect to such class or classes of options indicating that trading has been halted. A record of the time and duration of the halt shall be made available to vendors.

(c) No Options Member or person associated with an Options Member shall effect a trade on IEX Options in any options class in which trading has been halted under the provisions of this Rule during the time in which the halt remains in effect.

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**••• Supplementary Material •••**

.01 The Exchange shall nullify any transaction that occurs:

- (a) during a trading halt in the affected option on the Exchange; or

*(b) with respect to equity options (including options overlying ETFs), during a regulatory halt as declared by the primary listing market for the underlying security.*

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### **Rule 21.130. Resumption of Trading After a Halt**

Trading in an option that has been the subject of a halt under Rule 21.120 (Trading Halts) shall be resumed as described in Rule 22.160 upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

### **Rule 21.140. Unusual Market Conditions**

- (a) IEX Options staff may determine that the level of trading activities or the existence of unusual market conditions is such that IEX Options is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on IEX Options. Upon making such a determination, the Exchange shall designate the market in such option to be “fast”, and the Exchange shall halt trading in the class or classes so affected.
- (b) The Exchange will monitor the activity or conditions that caused a fast market to be declared, and shall review the condition of such market at least every thirty (30) minutes. Regular trading procedures shall be resumed when the Exchange determines that the conditions supporting a fast market declaration no longer exist.
- (c) The Exchange shall halt trading in all options whenever the equities markets initiate a market wide trading halt (commonly known as the “market-wide circuit breaker”) in response to extraordinary market conditions.

### **Rule 21.150. Nullification and Adjustment of Options Transactions including Obvious Errors**

The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 8:30 a.m. Eastern Time on the first trading day following the execution. It is considered conduct inconsistent with just and equitable principles of trade for any Options Member to use the mutual adjustment process to

circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

(a) Definitions

- (1) “Customer.” For purposes of this Rule, a Customer shall not include any broker-dealer or Professional.
- (2) “Erroneous Sell/Buy Transaction.” For purposes of this Rule, an “erroneous sell transaction” is one in which the price received by the person selling the option is erroneously low, and an “erroneous buy transaction” is one in which the price paid by the person purchasing the option is erroneously high.
- (3) “Official.” For purposes of this Rule, an Official is an Officer of the Exchange or such other employee designee of the Exchange that is trained in the application of this Rule.
- (4) “Size Adjustment Modifier.” For purposes of this Rule, the Size Adjustment Modifier will be applied to individual transactions as follows:

<b><u>Number of Contracts per Execution</u></b>	<b><u>Adjustment – TP Plus/Minus</u></b>
<u>1-50</u>	<u>N/A</u>
<u>51-250</u>	<u>2 times adjustment amount</u>
<u>251-1000</u>	<u>2.5 times adjustment amount</u>
<u>1001 or more</u>	<u>3 times adjustment amount</u>

- (b) “Theoretical Price.” Upon receipt of a request for review and prior to any review of a transaction execution price, the “Theoretical Price” for the option must be determined. For purposes of this Rule, if the applicable options series is traded on at least one other options exchange, then the Theoretical Price of an options series is the last NBB just prior to the trade in question with respect to an erroneous sell transaction or the last NBO just prior to the trade in question with respect to an erroneous buy transaction unless one of the exceptions in subparagraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior to the trade in question would be the last NBB and last NBO just prior to the Exchange’s receipt of the order. The Exchange will rely on this paragraph (b) and Supplementary Material .03 of this Rule when determining Theoretical Price.

- (1) “Transactions at the Open.” To the extent any transactions occur through the opening process as described in Rule 22.160, the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask differential of the NBB and NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in sub-paragraph (b)(3) below. If the bid/ask differential is less than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.
- (2) “No Valid Quotes.” The Exchange will determine the Theoretical Price if there are no quotes or no valid quotes for comparison purposes. Quotes that are not valid are:
- (A) all quotes in the applicable options series published at a time where the last NBB is higher than the last NBO in such series (a “crossed market”);
  - (B) quotes published by the Exchange that were submitted by either party to the transaction in question;
  - (C) quotes published by another options exchange if either party to the transaction in question submitted the quotes in the series representing such options exchange’s best bid or offer, provided that the Exchange will only consider quotes invalid on other options exchanges in up to twenty-five (25) total options series that the party identifies to the Exchange the quotes which were submitted by such party and published by other options exchanges; and
  - (D) quotes published by another options exchange against which the Exchange has declared self-help.
- (3) Wide Quotes.
- (A) The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the erroneous transaction was equal to or greater than the Minimum Amount set forth below and there was a bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction. If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction then the Theoretical Price of an options series is the last NBB or NBO just prior to the transaction in question, as set forth in paragraph (b) above.

<u>Bid Price at Time of Trade</u>	<u>Minimum Amount</u>
<u>Below \$2.00</u>	<u>\$0.75</u>
<u>\$2.00 to \$5.00</u>	<u>\$1.25</u>
<u>Above \$5.00 to \$10.00</u>	<u>\$1.50</u>
<u>Above \$10.00 to \$20.00</u>	<u>\$2.50</u>
<u>Above \$20.00 to \$50.00</u>	<u>\$3.00</u>
<u>Above \$50.00 to \$100.00</u>	<u>\$4.50</u>
<u>Above \$100.00</u>	<u>\$6.00</u>

(B) Customer Transactions Occurring Within 10 Seconds or Less After an Opening or Re-Opening:

- (i) The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the Customer's erroneous transaction was equal to or greater than the Minimum Amount set forth in paragraph (A) above and there was a bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction.
- (ii) If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction, then the Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the Customer's erroneous transaction was equal to or greater than the Minimum Amount set forth in paragraph (A) above and there was a bid/ask differential less than the Minimum Amount anytime during the 10 seconds after an opening or reopening.
- (iii) If there was no bid/ask differential less than the Minimum Amount during the 10 seconds following an Opening or Re-Opening, then the Theoretical Price of an options series is the last NBB or NBO just prior to the Customer transaction in question, as set forth in paragraph (b) above.

(iv) Customer transactions occurring more than 10 seconds after an opening or re-opening are subject to paragraph (A) above.

(c) Obvious Errors.

(1) Definition. For purposes of this Rule, an Obvious Error will be deemed to have occurred when the Exchange receives a properly submitted filing where the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

<u>Theoretical Price</u>	<u>Minimum Amount</u>
<u>Below \$2.00</u>	<u>\$0.25</u>
<u>\$2.00 to \$5.00</u>	<u>\$0.40</u>
<u>Above \$5.00 to \$10.00</u>	<u>\$0.50</u>
<u>Above \$10.00 to \$20.00</u>	<u>\$0.80</u>
<u>Above \$20.00 to \$50.00</u>	<u>\$1.00</u>
<u>Above \$50.00 to \$100.00</u>	<u>\$1.50</u>
<u>Above \$100.00</u>	<u>\$2.00</u>

(2) Time Deadline. A party that believes that it participated in a transaction that was the result of an Obvious Error must notify Exchange Market Operations in the manner specified from time to time by the Exchange in a circular distributed to Options Members. Such notification must be received by Exchange Market Operations within the timeframes specified below:

(A) Customer Orders. For an execution of a Customer order, a filing must be received by the Exchange within thirty (30) minutes of the execution, subject to sub-paragraph (C) below; and

(B) “Non-Customer” Orders. For an execution of any order other than a Customer order, a filing must be received by the Exchange within fifteen (15) minutes of the execution, subject to sub-paragraph (C) below.

(C) Linkage Trades. Any other options exchange will have a total of forty-five (45) minutes

for Customer orders and thirty (30) minutes for non-Customer orders, measured from the time of execution on the Exchange, to file with the Exchange for review of transactions routed to the Exchange from that options exchange and executed on the Exchange (“linkage trades”). This includes filings on behalf of another options exchange filed by a third-party routing broker if such third-party broker identifies the affected transactions as linkage trades. In order to facilitate timely reviews of linkage trades the Exchange will accept filings from either the other options exchange or, if applicable, the third-party routing broker that routed the applicable order(s). The additional fifteen (15) minutes provided with respect to linkage trades shall only apply to the extent the options exchange that originally received and routed the order to the Exchange itself received a timely filing from the entering participant (i.e., within 30 minutes if a Customer order or 15 minutes if a non-Customer order).

(3) Official Acting on Own Motion. An Official may review a transaction believed to be erroneous on his/her own motion in the interest of maintaining a fair and orderly market and for the protection of investors. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the Official that the transaction is erroneous in accordance with the provisions of this Rule, provided that the time deadlines of sub-paragraph (c)(2) above shall not apply. The Official shall act as soon as possible after becoming aware of the transaction, and ordinarily would be expected to act on the same day that the transaction occurred. In no event shall the Official act later than 8:30 a.m. Eastern Time on the next trading day following the date of the transaction in question. A party affected by a determination to nullify or adjust a transaction pursuant to this provision may appeal such determination in accordance with paragraph (l) below; however, a determination by an Official not to review a transaction or determination not to nullify or adjust a transaction for which a review was conducted on an Official’s own motion is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of this Rule, no additional relief may be granted under this provision.

(4) Adjust or Bust. If it is determined that an Obvious Error has occurred, the Exchange shall take one of the actions listed below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) Non-Customer Transactions. Where neither party to the transaction is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table

below. Any non-Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in subparagraph (a)(4) above.

<u>Theoretical Price</u>	<u>Buy Transaction Adjustment – TP Plus</u>	<u>Sell Transaction Adjustment – TP Minus</u>
<u>Below \$3.00</u>	<u>\$0.15</u>	<u>\$0.15</u>
<u>At or above \$3.00</u>	<u>\$0.30</u>	<u>\$0.30</u>

(B) Customer Transactions. Where at least one party to the Obvious Error is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table immediately above. Any Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in subparagraph (a)(4) above. However, if such adjustment(s) would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer’s limit price, the trade will be nullified, subject to sub-paragraph (C) below.

(C) If any Options Member submits requests to the Exchange for review of transactions pursuant to this rule, and in aggregate that Options Member has 200 or more Customer transactions under review concurrently and the orders resulting in such transactions were submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non-Customer adjustment criteria set forth in subparagraph (A) above to such transactions.

(d) Catastrophic Errors.

(1) Definition. For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

<u>Theoretical Price</u>	<u>Minimum Amount</u>
<u>Below \$2.00</u>	<u>\$0.50</u>
<u>\$2.00 to \$5.00</u>	<u>\$1.00</u>
<u>Above \$5.00 to \$10.00</u>	<u>\$1.50</u>

<u>Above \$10.00 to \$20.00</u>	<u>\$2.00</u>
<u>Above \$20.00 to \$50.00</u>	<u>\$2.50</u>
<u>Above \$50.00 to \$100.00</u>	<u>\$3.00</u>
<u>Above \$100.00</u>	<u>\$4.00</u>

- (2) Time Deadline. A party that believes that it participated in a transaction that was the result of a Catastrophic Error must notify Exchange Market Operations in the manner specified from time to time by the Exchange in a circular distributed to Options Members. Such notification must be received by Exchange Market Operations by 8:30 a.m. Eastern Time on the first trading day following the execution. For transactions in an expiring options series that take place on an expiration day, a party must notify Exchange Market Operations within 45 minutes after the close of trading that same day.
- (3) Adjust or Bust. If it is determined that a Catastrophic Error has occurred, the Exchange shall take action as set forth below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any Customer order subject to this sub-paragraph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

<u>Theoretical Price</u>	<u>Buy Transaction Adjustment – TP Plus</u>	<u>Sell Transaction Adjustment – TP Minus</u>
<u>Below \$2.00</u>	<u>\$0.50</u>	<u>\$0.50</u>
<u>\$2.00 to \$5.00</u>	<u>\$1.00</u>	<u>\$1.00</u>
<u>Above \$5.00 to \$10.00</u>	<u>\$1.50</u>	<u>\$1.50</u>
<u>Above \$10.00 to \$20.00</u>	<u>\$2.00</u>	<u>\$2.00</u>
<u>Above \$20.00 to \$50.00</u>	<u>\$2.50</u>	<u>\$2.50</u>

<u>Above \$50.00 to \$100.00</u>	<u>\$3.00</u>	<u>\$3.00</u>
<u>Above \$100.00</u>	<u>\$4.00</u>	<u>\$4.00</u>

(e) Significant Market Events.

(1) Definition. For purposes of this Rule, a Significant Market Event will be deemed to have occurred when: criterion (A) below is met or exceeded or the sum of all applicable event statistics, where each is expressed as a percentage of the relevant threshold in criteria (A) through (D) below, is greater than or equal to 150% and 75% or more of at least one category is reached, provided that no single category can contribute more than 100% to the sum and any category contributing more than 100% will be rounded down to 100%. All criteria set forth below will be measured in aggregate across all exchanges.

(A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of \$30,000,000, where the Worst-Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades, of:

(i) \$0.30 (i.e., the largest Transaction Adjustment value listed in sub-paragraph (e)(3)(A) below); times

(ii) the contract multiplier for each traded contract; times

(iii) the number of contracts for each trade; times

(iv) the appropriate Size Adjustment Modifier for each trade, if any, as defined in sub-paragraph (e)(3)(A) below.

(B) Transactions involving 500,000 options contracts are potentially erroneous;

(C) Transactions with a notional value (i.e., number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of \$100,000,000 are potentially erroneous;

(D) 10,000 transactions are potentially erroneous.

(2) Coordination with Other Options Exchanges. To ensure consistent application across options exchanges, in the event of a suspected Significant Market Event, the Exchange shall initiate a coordinated review of potentially erroneous transactions with all other affected options

exchanges to determine the full scope of the event. When this paragraph is invoked, the Exchange will promptly coordinate with the other options exchanges to determine the appropriate review period as well as select one or more specific points in time prior to the transactions in question and use one or more specific points in time to determine Theoretical Price. Other than the selected points in time, if applicable, the Exchange will determine Theoretical Price in accordance with paragraph (b) above.

(3) Adjust or Bust. If it is determined that a Significant Market Event has occurred then, using the parameters agreed as set forth in sub-paragraph (e)(2) above, if applicable, an Official will determine whether any or all transactions under review qualify as Obvious Errors. The Exchange shall take one of the actions listed below with respect to all transactions that qualify as Obvious Errors pursuant to sub-paragraph (c)(1) above. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) The execution price of each affected transaction will be adjusted by an Official to the price provided below unless both parties agree to adjust the transaction to a different price or agree to bust the trade. In the context of a Significant Market Event, any error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

<u>Theoretical Price</u>	<u>Buy Transaction Adjustment – TP Plus</u>	<u>Sell Transaction Adjustment – TP Minus</u>
<u>Below \$3.00</u>	<u>\$0.15</u>	<u>\$0.15</u>
<u>At or above \$3.00</u>	<u>\$0.30</u>	<u>\$0.30</u>

(B) Where at least one party to the transaction is a Customer, the trade will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer’s limit price.

(4) Nullification of Transactions. If the Exchange, in consultation with other options exchanges, determines that timely adjustment is not feasible due to the extraordinary nature of the situation, then the Exchange will nullify some or all transactions arising out of the Significant Market Event during the review period selected by the Exchange and other options exchanges consistent with this paragraph. To the extent the Exchange, in consultation with other options exchanges, determines to nullify less than all transactions arising out of the Significant Market Event, those

transactions subject to nullification will be selected based upon objective criteria with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

- (5) Final Rulings. With respect to rulings made pursuant to this paragraph, the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, rulings by the Exchange pursuant to this paragraph are non-appealable.
- (f) Trading Halts. The Exchange shall nullify any transaction that occurs during a trading halt in the affected option on the Exchange pursuant to Rule 21.120.
- (g) Erroneous Print in Underlying. A trade resulting from an erroneous print(s) disseminated by the underlying market that is later nullified by that underlying market shall be adjusted or busted as set forth in sub-paragraph (c)(4) of this Rule, provided a party notifies the Exchange Market Operations in a timely manner as set forth below. For purposes of this paragraph, a trade resulting from an erroneous print(s) shall mean any options trade executed during a period of time for which one or more executions in the underlying security are nullified and for one second thereafter. If a party believes that it participated in an erroneous transaction resulting from an erroneous print(s) pursuant to this paragraph it must notify Exchange Market Operations within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) of nullification of transactions in the underlying security. If multiple underlying markets nullify trades in the underlying security, the allowed notification timeframe will commence at the time of the first market's notification. For the purposes of this paragraph, the underlying (which includes, but is not limited to, the underlying or related Fund Share(s), HOLDRS(s) and/or index value(s), and/or related futures product(s)) and the relevant underlying market(s) will be designated by the Exchange and announced to Options Members via an Exchange Notice. To qualify for consideration as an "underlying," the Fund Shares or HOLDRS and related instrument must be derived from or designed to track the same underlying index.
- (h) Erroneous Quote in Underlying. A trade resulting from an erroneous quote(s) in the underlying security shall be adjusted or busted as set forth in sub-paragraph (c)(4) this Rule, provided a party notifies Exchange Market Operations in a timely manner as set forth below. An erroneous quote occurs when the underlying security has a width of at least \$1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote

width shall be determined by adding the quote widths of sample quotations at regular 15-second intervals during the four-minute time period referenced above (excluding the quote(s) in question) and dividing by the number of quotes during such time period (excluding the quote(s) in question). If a party believes that it participated in an erroneous transaction resulting from an erroneous quote(s) pursuant to this paragraph it must notify Exchange Market Operations in accordance with sub-paragraph (c)(2) above. For the purposes of this paragraph, the underlying (which includes, but is not limited to, the underlying or related Fund Share(s), HOLDERS(s) and/or index value(s), and/or related futures product(s)) and the relevant underlying market(s) will be designated by the Exchange and announced to Options Members via an Exchange Notice. To qualify for consideration as an “underlying,” the Fund Shares or HOLDERS and related instrument must be derived from or designed to track the same underlying index.

- (i) Stop (and Stop-Limit) Order Trades Triggered by Erroneous Trades. Transactions resulting from the triggering of a Stop or Stop-Limit order by an erroneous trade in an options contract shall be nullified by the Exchange, provided a party notifies the Exchange’s Market Operations in a timely manner as set forth below. If a party believes that it participated in an erroneous transaction pursuant to this paragraph it must notify the Exchange’s Market Operations within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification of the nullification of transaction(s) that triggered the stop or Stop-Limit order.
- (j) Linkage Trades. If the Exchange routes an order pursuant to the Plan (as defined in Rule 28.100(18)) that results in a transaction on another options exchange (a “Linkage Trade”) and such options exchange subsequently nullifies or adjusts the Linkage Trade pursuant to its rules, the Exchange will perform all actions necessary to complete the nullification or adjustment of the Linkage Trade.
- (k) Verifiable Disruptions or Malfunctions of Exchange Systems.
  - (1) Transactions arising out of a “verifiable disruption or malfunction” in the use or operation of any Exchange automated quotation, dissemination, execution, or communication system may either be nullified or adjusted by an Official. Transactions that qualify for price adjustment will be adjusted to Theoretical Price, as defined in paragraph (b) above.
  - (2) Absent extraordinary circumstances, any such action of an Official pursuant to this paragraph (k) shall be initiated within sixty (60) minutes of the occurrence of the erroneous transaction that resulted from a verifiable disruption or malfunction. Each Options Member involved in the transaction shall be notified as soon as practicable.

(3) Any Options Member aggrieved by the action of an Official taken pursuant to paragraph (k)(1) above, may appeal such action in accordance with the provision of paragraph (l) below.

(l) Appeals.

If an Options Member affected by a determination made under this Rule 21.150 so requests within the time permitted below, the Error Panel (“Error Panel”) will review decisions made by the IEX Official under this Rule, including whether an obvious error occurred and whether the correct determination was made.

Error Panel.

- (1) Composition. The Error Panel will be comprised of the Exchange’s Chief Regulatory Officer (“CRO”) or a designee of the CRO, and representatives from four (4) Options Members. Two (2) of the representatives must be directly engaged in market-making activity (“MM Representatives”) and two (2) of the representatives must be employed by non-Market Maker Options Members (“Non-MM Representatives”). To qualify as a representative of an Options Member other than an Options Member engaged in market making, a person must
- (A) be employed by an Options Member whose revenues from options market making activity do not exceed ten percent (10%) of its total revenues; or
- (B) have as his or her primary responsibility the handling of Public Customer orders or supervisory responsibility over persons with such responsibility, and not have any responsibilities with respect to market making activities.
- (2) The Exchange shall designate at least ten (10) MM Representatives and at least ten (10) Non-MM Representatives to be called upon to serve on the Error Panel as needed. In no case shall an Error Panel include a person affiliated with a party to the trade in question. To the extent reasonably possible, the Exchange shall call upon the designated representatives to participate on an Error Panel on an equally frequent basis.
- (3) A request for review on appeal must be made in writing via e-mail or other electronic means specified from time to time by the Exchange in a circular distributed to Options Members within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed. The Error Panel shall review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review. On requests for appeal received after 3:00 p.m. Eastern Time, a decision will be rendered as soon as practicable, but in no case later than the trading day following the date of the execution under

review.

- (4) The Error Panel may overturn or modify an action taken by the IEX Official under this Rule. All determinations by the Error Panel shall constitute final action by the Exchange on the matter at issue.
- (5) If the Error Panel votes to uphold the decision made pursuant to paragraph (l)(1) above, the Exchange will assess a \$500.00 fee against the Options Member(s) who initiated the request for appeal. In addition, in instances where the Exchange, on behalf of an Options Member, requests a determination by another market center that a transaction is clearly erroneous, the Exchange will pass any resulting charges through to the relevant Options Member.
- (6) Any determination by an Officer or by the Error Panel shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

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**••• Supplementary Material •••**

.01 Limit Up-Limit Down State. An execution will not be subject to review as an Obvious Error or Catastrophic Error pursuant to paragraph (c) or (d) of this Rule if it occurred while the underlying security was in a "Limit State" or "Straddle State," as defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. Nothing in this provision shall prevent such execution from being reviewed on an Official's own motion pursuant to sub-paragraph (c)(3) of this Rule, or a bust or adjust pursuant to paragraphs (e) through (k) of this Rule.

.02 For the purposes of this Rule, to the extent the provisions of this Rule would result in the Exchange applying an adjustment of an erroneous sell transaction to a price lower than the execution price or an erroneous buy transaction to a price higher than the execution price, the Exchange will not adjust or nullify the transaction, but rather, the execution price will stand.

.03 Exchange Determining Theoretical Price. For purposes of this Rule, when the Exchange must determine Theoretical Price pursuant to sub-paragraphs (b)(1)-(3) of this Rule (i.e., at the open, when there are no valid quotes or when there is a wide quote), then the Exchange will determine Theoretical Price as follows.

(a) The Exchange will request Theoretical Price from the third party vendor defined in paragraph (d) below ("TP Provider") to which the Exchange and all other options exchanges have subscribed. The Exchange will apply the Theoretical Price provided by the TP Provider, except as otherwise described

below.

- (b) To the extent an Official of the Exchange believes that the Theoretical Price provided by the TP Provider is fundamentally incorrect and cannot be used consistent with the maintenance of a fair and orderly market, the Official shall contact the TP Provider to notify the TP Provider of the reason the Official believes such Theoretical Price is inaccurate and to request a review and correction of the calculated Theoretical Price. The Exchange shall also promptly provide electronic notice to other options exchanges that the TP Provider has been contacted consistent with this paragraph and include a brief explanation of the reason for the request.
- (c) An Official of the Exchange may determine the Theoretical Price if the TP Provider has experienced a systems issue that has rendered its services unavailable to accurately calculate Theoretical Price and such issue cannot be corrected in a timely manner.
- (d) The current TP Provider to which the Exchange and all other options exchanges have subscribed is: Cboe Livevol, LLC. Neither the Exchange, the TP Provider, nor any affiliate of the TP Provider (the TP Provider and its affiliates are referred to collectively as the "TP Provider"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of the TP Provider pursuant to this Supplementary Material .06. The TP Provider does not guarantee the accuracy or completeness of the calculated Theoretical Price. The TP Provider disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such Theoretical Price. Neither the Exchange nor the TP Provider shall have any liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the use of such Theoretical Price or arising out of any errors or delays in calculating such Theoretical Price.
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### **Rule 21.160. Audit Trail**

#### **(a) Order Identification**

When entering orders on IEX Options, each Options Member shall submit order information in such form as may be prescribed by the Exchange in order to allow IEX Options to properly prioritize and match orders and report resulting transactions to the Clearing Corporation.

- (b) An Options Member must ensure that each options order received from a Customer for execution on IEX

Options is recorded and time-stamped immediately. The order record must be time-stamped again on execution and also at the time of any modification or cancellation of the order by the Customer. Order records relating to IEX Options must contain the following information at a minimum:

- (1) a unique order identification;
  - (2) the underlying security;
  - (3) opening/closing designation;
  - (4) the identity of the Clearing Member;
  - (5) Options Member identification;
  - (6) User Capacity;
  - (7) identity of the individual/terminal completing the order ticket;
  - (8) customer identification;
  - (9) account identification;
  - (10) buy/sell;
  - (11) contract volume;
  - (12) contract month;
  - (13) exercise price;
  - (14) put/call;
  - (15) price or price limit, price range or strategy price;
  - (16) special instructions; and
  - (17) such other information as may be required by IEX Options.
- (c) An Options Member that employs an electronic system for order routing or order management which complies with IEX Options requirements will be deemed to be complying with the requirements of this Rule if the required information is recorded in electronic form rather than in written form.
- (d) In addition to any related requirement under applicable securities laws, information recorded pursuant to this Rule must be retained by Options Members for a period of no less than three (3) years after the date of the transaction.

**Rule 21.170. Failure to Pay Premium**

- (a) When the Clearing Corporation shall reject a IEX Options Transaction because of the failure of the Clearing Member acting on behalf of the purchaser to pay the aggregate premiums due thereon as required by the Rules of the Clearing Corporation, the Options Member acting as or on behalf of the writer shall have the right either to cancel the transaction by giving notice thereof to the Clearing Member or to enter into a closing writing transaction in respect of the same options contract that was the subject of the rejected IEX Options Transaction for the account of the defaulting Clearing Member.
- (b) Such action shall be taken as soon as possible, and in any event not later than 10:00 A.M. Eastern Time on the business day following the day the IEX Options Transaction was rejected by the Clearing Corporation.

**Rule 21.180. Prohibition on Transactions Off the Exchange**

- (a) No rule, stated policy, or practice of the Exchange may prohibit or condition, or be construed to prohibit or condition, or otherwise limit, directly or indirectly, the ability of any Options Member acting as agent to effect any transaction otherwise than on the Exchange with another person (except when such Options Member also is acting as agent for such other person in such transaction) in any equity security listed on the Exchange or to which unlisted trading privileges on the Exchange have been extended.
- (b) No rule, stated policy, or practice of the Exchange may prohibit or condition, or be construed to prohibit, condition, or otherwise limit, directly or indirectly, the ability of any Options Member to effect any transaction otherwise than on the Exchange in any reported security listed and registered on the Exchange or as to which unlisted trading privileges on the Exchange have been extended (other than a put option or call option issued by the Clearing Corporation) which is not a covered security.

**Rule 21.190. Transfers of Positions**

- (a) Permissible Transfers. Notwithstanding the prohibition set forth in Rule 21.180, existing positions in options listed on the Exchange of an Options Member or of a non- Member that are to be transferred on, from, or to the books of a Clearing Member may be transferred off the Exchange if the transfer involves one or more of the following events:
- (1) an adjustment or transfer in connection with the correction of a bona fide error in the recording of a transaction or the transferring of a position to another account, provided that the original trade documentation confirms the error;
  - (2) the transfer of positions from one account to another account where no change in ownership is

involved (i.e., accounts of the same Person (as defined in Rule 1.160)), provided the accounts are not in separate aggregation units or otherwise subject to information barrier or account segregation requirements;

(3) the consolidation of accounts where no change in ownership is involved;

(4) a merger, acquisition, consolidation, or similar non-recurring transaction for a person;

(5) the dissolution of a joint account in which the remaining Options Member assumes the positions of the joint account;

(6) the dissolution of a corporation or partnership in which a former nominee of the corporation or partnership assumes the positions;

(7) positions transferred as part of an Options Member's capital contribution to a new joint account, partnership, or corporation;

(8) the donation of positions to a not-for-profit corporation;

(9) the transfer of positions to a minor under the Uniform Gifts to Minors Act; Or the transfer of positions through operation of law from death, bankruptcy, or otherwise.

(b) Netting. Unless otherwise permitted by paragraph (f), when effecting a transfer pursuant to paragraph (a), no position may net against another position ("netting"), and no position transfer may result in preferential margin or haircut treatment.

(c) Transfer Price. The transfer price, to the extent it is consistent with applicable laws, rules, and regulations, including rules of other self-regulatory organizations, and tax and accounting rules and regulations, at which a transfer is effected may be:

(1) the original trade prices of the positions that appear on the books of the transferring Clearing Member, in which case the records of the transfer must indicate the original trade dates for the positions; provided, transfers to correct errors under subparagraph (a)(1) must be transferred at the correct original trade prices;

(2) mark-to-market prices of the positions at the close of trading on the transfer date;

(3) mark-to-market prices of the positions at the close of trading on the trade date prior to the transfer date; or

(4) the then-current market price of the positions at the time the transfer is effected.

(d) Prior Written Notice. An Options Member(s) and its Clearing Member(s) (to the extent that the Options

Member is not self-clearing) must submit to the Exchange, in a manner determined by the Exchange, written notice prior to effecting a transfer from or to the account(s) of an Options Member(s), except that notification is not required for transfers effected pursuant to subparagraph (a)(1) or (a)(2) of this Rule.

(1) The notice must indicate (A) the Exchange-listed options positions to be transferred, (B) the nature of the transaction, (C) the enumerated provision(s) under paragraph (a) pursuant to which the positions are being transferred, (D) the name of the counterparty(ies), (E) the anticipated transfer date, (F) the method for determining the transfer price under paragraph (c) above, and (G) any other information requested by the Exchange.

(2) Receipt of notice of a transfer does not constitute a determination by the Exchange that the transfer was effected or reported in conformity with the requirements of this Rule.

Notwithstanding submission of written notice to Exchange, Options Members and Clearing Members that effect transfers that do not conform to the requirements of this Rule will be subject to appropriate disciplinary action in accordance with the Rules.

(e) Records. Each Options Member and each Clearing Member that is a party to a transfer must make and retain records of the information provided in the notice to the Exchange pursuant to subparagraph (d)(1), as well as information on (1) the actual Exchange-listed options transferred; (2) the actual transfer date; and (3) the actual transfer price (and the original trade dates, if applicable). The Exchange may also request the Options Member or Clearing Member to provide other information.

(f) Presidential Exemptions. In addition to the exemptions set forth in paragraph (a) of this Rule, the Exchange President (or senior-level designee) may grant an exemption from the requirement of Rule 21.180, on his or her own motion or upon application of the Options Member (with respect to the Options Member's positions) or a Clearing Member (with respect to positions carried and cleared by the Clearing Member), when, in the judgment of the President or his or her designee, allowing the transfer is necessary or appropriate for the maintenance of a fair and orderly market and the protection of investors and is in the public interest, including due to unusual or extraordinary circumstances, such as the possibility that the market value of the person's positions will be compromised by having to comply with the requirement to trade on the Exchange pursuant to the normal auction process or when, in the judgment of the president or his or her designee, market conditions make trading on the Exchange impractical.

(g) Routine, Recurring Transfers. The transfer procedure set forth in this Rule is intended to facilitate non-routine, non-recurring movements of positions and is not to be used repeatedly or routinely, except for transfers between accounts of the same person pursuant to subparagraph (a)(2). The transfer procedure

may not be used in circumvention of the normal auction process.

- (h) Exchange-Listed Options. The transfer procedure set forth in this Rule is only applicable to positions in options listed on the Exchange. Transfers of positions in Exchange listed options may also be subject to applicable laws, rules, and regulations, including rules of other self-regulatory organizations. Transfers of non-Exchange listed options and other financial instruments are not governed by this Rule.

#### **Rule 21.200. Off-Exchange RWA Transfers**

Notwithstanding Rule 21.180, existing positions in options listed on the Exchange of an Options Member or non-Member (including an affiliate of an Options Member) may be transferred on, from, or to the books of a Clearing Member off the Exchange if the transfer establishes a net reduction of risk-weighted assets attributable to those the Options Member or non-Member's options positions (an "RWA Transfer").

- (a) RWA Transfers include, but are not limited to: (1) a transfer of options positions from Clearing Corporation member A to Clearing Corporation member B that net (offset) with positions held at Clearing Corporation member B, and thus closes all or part of those positions, and (2) a transfer of positions from a bank-affiliated Clearing Corporation member to a nonbank-affiliated Clearing Corporation member.
- (b) RWA Transfers may occur on a routine, recurring basis.
- (c) RWA Transfers may result in the netting of positions.
- (d) No RWA Transfer may result in preferential margin or haircut treatment.
- (e) No RWA Transfer may result in a change in ownership (i.e., an RWA transfer must occur between accounts of the same Person (as defined in Rule 1.160)).
- (f) No prior written notice to the Exchange is required for RWA Transfers.
- (g) Off-Exchange transfers of positions in Exchange-listed options may be subject to applicable laws, rules, and regulations, including rules of other self-regulatory organizations. Transfers of non-Exchange listed options and other financial instruments are not governed by this Rule.

#### **Rule 21.210. In-Kind Exchange of Options Positions and Fund Shares and UIT Interests**

Notwithstanding Rule 21.180, positions in options listed on the Exchange may be transferred off the Exchange by an Options Member in connection with transactions (a) to purchase or redeem creation units of Fund Shares between an authorized participant and the issuer of such Fund Shares or (b) to create or redeem

units of a unit investment trust (“UIT”) between a broker-dealer and the issuer of such UIT units, which transfers would occur at the price(s) used to calculate the net asset value of such Fund Shares or UIT units, respectively. For purposes of this Rule:

- (a) an “authorized participant” is an entity that has a written agreement with the issuer of Fund Shares or one of its service providers, which allows the authorized participant to place orders for the purchase and redemption of creation units (i.e., specified numbers of Fund Shares);
- (b) an “issuer of Fund Shares” is an entity registered with the Commission as an open-end management investment company under the Investment Company Act of 1940; and
- (c) an “issuer of UIT units” is a trust registered with the Commission as a unit investment trust under the Investment Company Act of 1940.

#### **Rule 21.220. LIMITATION OF LIABILITY**

- (a) NEITHER THE EXCHANGE, IEX SERVICES, NOR ANY OF ITS AGENTS, EMPLOYEES, CONTRACTORS, OFFICERS, DIRECTORS, SHAREHOLDERS, COMMITTEE MEMBERS OR AFFILIATES (“EXCHANGE RELATED PERSONS”) SHALL BE LIABLE TO ANY USER, OR SUCCESSORS, REPRESENTATIVES OR CUSTOMERS THEREOF, OR ANY PERSONS ASSOCIATED THEREWITH, FOR ANY LOSS, DAMAGES, CLAIM OR EXPENSE:
- (1) GROWING OUT OF THE USE OR ENJOYMENT OF ANY FACILITY OF THE EXCHANGE, INCLUDING, WITHOUT LIMITATION, THE SYSTEM; OR
  - (2) ARISING FROM OR OCCASIONED BY ANY INACCURACY, ERROR OR DELAY IN, OR OMISSION OF OR FROM THE COLLECTION, CALCULATION, COMPILATION, MAINTENANCE, REPORTING OR DISSEMINATION OF ANY INFORMATION DERIVED FROM THE SYSTEM OR ANY OTHER FACILITY OF THE EXCHANGE, RESULTING EITHER FROM ANY ACT OR OMISSION BY THE EXCHANGE OR ANY EXCHANGE RELATED PERSON, OR FROM ANY ACT CONDITION OR CAUSE BEYOND THE REASONABLE CONTROL OF THE EXCHANGE OR ANY EXCHANGE RELATED PERSON, INCLUDING, BUT NOT LIMITED TO, FLOOD, EXTRAORDINARY WEATHER CONDITIONS, EARTHQUAKE OR OTHER ACTS OF GOD, FIRE, WAR, TERRORISM, INSURRECTION, RIOT, LABOR DISPUTE, ACCIDENT, ACTION OF GOVERNMENT, COMMUNICATIONS OR POWER FAILURE, OR EQUIPMENT OR SOFTWARE MALFUNCTION.

- (b) EACH OPTIONS MEMBER EXPRESSLY AGREES, IN CONSIDERATION OF THE ISSUANCE OF ITS MEMBERSHIP IN THE EXCHANGE, TO RELEASE AND DISCHARGE THE EXCHANGE, IEX SERVICES, AND ALL EXCHANGE OR IEX SERVICES RELATED PERSONS OF AND FROM ALL CLAIMS AND DAMAGES ARISING FROM THEIR ACCEPTANCE AND USE OF THE FACILITIES OF THE EXCHANGE (INCLUDING, WITHOUT LIMITATION, THE SYSTEM).
- (c) NEITHER THE EXCHANGE, IEX SERVICES, NOR ANY EXCHANGE OR IEX SERVICES RELATED PERSON MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR CONDITIONS TO USERS AS TO RESULTS THAT ANY PERSON OR PARTY MAY OBTAIN FROM THE SYSTEM FOR TRADING OR FOR ANY OTHER PURPOSE, AND ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, TITLE, AND NON-INFRINGEMENT WITH RESPECT TO THE SYSTEM ARE HEREBY DISCLAIMED.
- (d) NOTWITHSTANDING PARAGRAPH (a) ABOVE, AND SUBJECT TO THE EXPRESS LIMITS SET FORTH BELOW, THE EXCHANGE MAY COMPENSATE OPTIONS MEMBERS FOR LOSSES DIRECTLY RESULTING FROM THE SYSTEMS' ACTUAL FAILURE TO CORRECTLY PROCESS AN ORDER, MESSAGE, OR OTHER DATA, PROVIDED THE EXCHANGE HAS ACKNOWLEDGED RECEIPT OF THE ORDER, MESSAGE OR DATA.
- (1) AS TO ANY ONE OR MORE CLAIMS MADE BY A SINGLE OPTIONS MEMBER UNDER THIS IEX RULE ON A SINGLE TRADING DAY, THE EXCHANGE SHALL NOT BE LIABLE IN EXCESS OF THE LARGER OF \$100,000, OR THE AMOUNT OF ANY RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE.
- (2) AS TO THE AGGREGATE OF ALL CLAIMS MADE BY ALL OPTIONS MEMBERS UNDER THIS IEX RULE ON A SINGLE TRADING DAY, THE EXCHANGE SHALL NOT BE LIABLE IN EXCESS OF THE LARGER OF \$250,000 OR THE AMOUNT OF ANY RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE.
- (3) AS TO THE AGGREGATE OF ALL CLAIMS MADE BY ALL OPTIONS MEMBERS UNDER THIS IEX RULE DURING A SINGLE CALENDAR MONTH, THE EXCHANGE SHALL NOT BE LIABLE IN EXCESS OF THE LARGER OF \$500,000, OR THE AMOUNT OF ANY RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE

MAINTAINED BY THE EXCHANGE.

- (e) IN THE EVENT THAT ALL OF THE CLAIMS MADE UNDER THIS IEX RULE CANNOT BE FULLY SATISFIED BECAUSE IN THE AGGREGATE THEY EXCEED THE APPLICABLE MAXIMUM LIMITATIONS PROVIDED IN THIS IEX RULE 21.220, THEN THE MAXIMUM PERMITTED AMOUNT WILL BE PROPORTIONALLY ALLOCATED AMONG ALL SUCH CLAIMS ARISING ON A SINGLE TRADING DAY OR DURING A SINGLE CALENDAR MONTH, AS APPLICABLE, BASED ON THE PROPORTION THAT EACH SUCH CLAIM BEARS TO THE SUM OF ALL SUCH CLAIMS.
- (f) ALL CLAIMS FOR COMPENSATION PURSUANT TO THIS IEX RULE SHALL BE IN WRITING AND MUST BE SUBMITTED NO LATER THAN THE OPENING OF TRADING ON THE NEXT BUSINESS DAY FOLLOWING THE DAY ON WHICH THE USE OF THE EXCHANGE GAVE RISE TO SUCH CLAIMS. ONCE IN RECEIPT OF A CLAIM, THE EXCHANGE WILL VERIFY THAT:
- (i) A VALID ORDER WAS ACCEPTED INTO THE EXCHANGE’S SYSTEMS; AND (ii) AN EXCHANGE SYSTEM FAILURE OR A NEGLIGENT ACT OR OMISSION OF AN EXCHANGE EMPLOYEE OCCURRED DURING THE EXECUTION OR HANDLING OF THAT ORDER.

## **CHAPTER 22. TRADING SYSTEMS**

### **Rule 22.100. Definitions**

The following definitions apply to Chapter 22 for the trading of options listed on IEX Options.

- (a) The term “Trading System” means the automated trading system used by IEX Options for the trading of options contracts. The Trading System includes:
- (1) an order execution service that enables Users to automatically execute transactions in System Securities; and provides Users with sufficient monitoring and updating capability to participate in an automated execution environment;
  - (2) a trade reporting service that submits “locked-in” trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price Reporting Authority for dissemination to the public and industry, and provides participants with monitoring and risk management capabilities to facilitate participation in a “locked-in”

trading environment; and

- (3) a data feed(s) that can be used to display with or without attribution to Users' orders on both the bid and offer side of the market for price levels then within IEX Options using the MPV (as defined in Rule 22.140) applicable to that security.
- (b) The term "System Securities" shall mean all options that are currently trading on IEX Options pursuant to Chapter 20 above.
- (c) The term "Order" shall mean a single order submitted to the Trading System by a User designated for display (price and size) on an anonymous basis by the Exchange.
- (d) The term "Order Type" shall mean the unique processing prescribed for designated orders, subject to the restrictions set forth in paragraph (1) below with respect to bulk messages, that are eligible for entry into the Trading System. An Order Type applied to a bulk message applies to each bid and offer within that bulk message. Unless otherwise specified in the Exchange Rules or the context indicates otherwise, the Exchange determines which of the following Order Types are available on a class or system basis.

  - (1) "Limit orders" are orders (including bulk messages) to buy or sell an option at a specified price or better. A Limit order is marketable when, for a Limit order to buy, at the time it is entered into the Trading System, the order is priced at the current inside offer or higher, or for a Limit order to sell, at the time it is entered into the Trading System, the order is priced at the current inside bid or lower.
  - (2) "Market orders" are orders to buy or sell at the best price available at the time of execution. Market orders to buy or sell an option traded on IEX Options will be rejected if they are received when the underlying security is subject to a "Limit State" or "Straddle State" as defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Exchange Act (the "Limit Up-Limit Down Plan"). Bulk messages may not be Market orders.
  - (3) "Attributable Orders" are Market or Limit orders which display the User's MPID for purposes of trading on the Exchange. Use of attributable orders is voluntary. Attributable orders may not be available for all Exchange processes. The Exchange will distribute a circular to Options Members specifying the processes for which the attributable order-type shall be available.
- (e) The term "Handling Instruction" shall mean an additional instruction a User designates on an order, subject to the restrictions set forth in paragraph (1) below with respect to bulk messages. A Handling Instruction applied to a bulk message applies to each bid and offer within that bulk message. Unless otherwise specified in the Exchange Rules or the context indicates otherwise, the Exchange determines

which of the following Handling Instructions are available on a class or system basis.

- (1) “Book Only” is an instruction that an order is to be ranked and executed on the Exchange pursuant to Rule 22.170 (Order Display and Book Processing), or to be repriced or cancelled, as appropriate, without routing away to another options exchange.
  - (2) “Post Only” is an instruction that an order is to be ranked and executed on the Exchange pursuant to Rule 22.170 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another options exchange except that the order will not remove liquidity from the IEX Options Book. The Trading System reprices, cancels or rejects (in accordance with User Instructions) a bid (offer) designated as Post Only with a price that locks or crosses the Exchange’s best offer (bid). A Market order cannot be designated as Post Only.
  - (3) “Intermarket Sweep Orders” or “ISO” are orders that shall have the meaning provided in Rule 28.100 (Definitions). Such orders may be executed at one or multiple price levels in the Trading System without regard to Protected Quotations at other options exchanges (i.e., may trade through such quotations). The Exchange relies on the marking of an order as an ISO when handling such order, and thus, it is the entering Options Member’s responsibility, not the Exchange’s responsibility, to comply with the requirements relating to ISOs. ISOs are not eligible for routing pursuant to Rule 22.180 (Order Routing). A Market order cannot be designated as an Intermarket Sweep Order. Market Makers may not designate bulk messages as ISOs.
- (f) The term “Order Size” shall mean the number of contracts up to 999,999 associated with the Order.
- (g) The term “Time in Force” shall mean the period of time that the Trading System will hold an order for potential execution. A Time-in-Force applied to a bulk message applies to each bid and offer within that bulk message. Unless otherwise specified in the Exchange Rules or the context indicates otherwise, the Exchange determines which of the following Times-in-Force are available on a class or system basis.
- (1) “Immediate Or Cancel” or “IOC” shall mean, for an order so designated, an order that is to be executed in whole or in part as soon as such order is received. The portion not so executed immediately on the Exchange or another options exchange is cancelled and is not posted to the IEX Options Book. IOC orders that are not designated as Book Only and that cannot be executed in accordance with Rule 22.170 on the Trading System when reaching the Exchange will be eligible for routing away pursuant to Rule 22.180.
  - (2) “Day” shall mean, for an order so designated, an order to buy or sell which, if not executed expires at market close. Market Makers may designate bulk messages as Day.

(h) The term “Anti-Internalization Qualifier (“AIQ”) modifier” shall mean a modifier appended to an order that restricts interactions with contra-side orders as set forth below. Any incoming order designated with an AIQ modifier will be prevented from executing against a resting opposite side order also designated with an AIQ modifier and originating from the same MPID, Options Member identifier, trading group identifier, or Sponsored Participant identifier (any such identifier, a “Unique Identifier”). The AIQ modifier on the incoming order controls the interaction between two orders marked with AIQ modifiers. AIQ modifiers will not be applicable during Auctions. Subject to the restrictions set forth in paragraph (l) below with respect to bulk messages, orders may contain the following AIQ modifiers:

(1) Cancel Newest (“CN”). An incoming order marked with the “CN” modifier will not execute against opposite side resting interest marked with any AIQ modifier originating from the same Unique Identifier. The incoming order marked with the AIQ modifier will be cancelled back to the originating User(s). The resting order marked with an AIQ modifier will remain on the IEX Options Book.

(2) Cancel Oldest (“CO”). An incoming order marked with the “CO” modifier will not execute against opposite side resting interest marked with any AIQ modifier originating from the same Unique Identifier. The resting order marked with the AIQ modifier will be cancelled back to the originating User(s). The incoming order marked with the CO modifier will remain on the IEX Options Book.

(3) Cancel Both (“CB”). An incoming order marked with the “CB” modifier will not execute against opposite side resting interest marked with any AIQ modifier originating from the same Unique Identifier. The entire size of both orders will be cancelled back to the originating User(s).

(4) Cancel Smallest (“CS”). An incoming order marked with the “CS” modifier will not execute against opposite side resting interest marked with any AIQ modifier originating from the same Unique Identifier. If both orders are equivalent in size, then both orders will be cancelled back to the originating User. If the orders are not equivalent in size, then the smaller of the two orders will be cancelled back to the originating User and the larger order will remain on or post to the IEX Options Book.

(i) The term “Price Adjust” shall mean the re-pricing mechanism through which the Trading System re-prices orders to comply with the order protection and trade through restrictions of the Options Order Protection and Locked/Crossed Market Plan, as further described below.

(1) An order that, at the time of entry, would lock or cross a Protected Quotation of another options exchange or the Exchange will be ranked and displayed by the Trading System at one MPV (as

defined in Rule 22.140) below the current NBO (for bids) or to one MPV (as defined in Rule 22.140) above the current NBB (for offers) (“Price Adjust”).

- (2) In the event the NBBO changes such that an order subject to Price Adjust would not lock or cross a Protected Quotation, the order will receive a new timestamp, and will be displayed at the price that originally locked the NBO (for bids) or NBB (for offers) on entry. All orders that are re-ranked and re-displayed pursuant to Price Adjust will retain their priority as compared to other orders subject to Price Adjust based upon the time such orders were initially received by the Exchange. Following the initial ranking and display of an order subject to Price Adjust, an order will only be re-ranked and re-displayed to the extent it achieves a more aggressive price.
  - (3) The ranked and displayed price of an order subject to Price Adjust to buy (sell) that has been repriced will be repriced higher (lower) only one time. If after that repricing, the ranked and displayed price could be repriced higher (lower) again, the order will remain at its last ranked price and displayed price.
- (j) The term “MPID” means the unique market participant identifier assigned to a User and shall refer to what the Trading System uses to identify the User and the clearing number for the execution of orders and quotes submitted to the Trading System with that MPID. A User may obtain one or more MPIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange assigns an MPID to its Users.
- (1) Each MPID corresponds to a single User and a single clearing number of a Clearing Member with the Clearing Corporation.
  - (2) A User may obtain multiple MPIDs, which may be for the same or different clearing numbers.
  - (3) A User is able (in a form and manner determined by the Exchange) to designate which of its MPIDs may be used for each of its ports. If a User submits an order or quote through a port with an MPID not enabled for that port, the Trading System cancels or rejects the order or quote.
- (k) The term “port” includes the following types of ports:
- (1) A “physical port” provides a physical connection to the Trading System. A physical port may provide access to multiple logical ports.
  - (2) A “logical port” or “application session” provides Users with the ability within the Trading System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information.

- (l) The term “bulk message” shall mean a single electronic message a Market Maker submits to the Exchange in which the Market Maker may enter, modify, or cancel up to an Exchange-specified number of bids and offers (which number the Exchange announces via Exchange notice and publicly available technical specifications). Market Makers may submit bulk messages through a logical port, subject to the following:
- (1) bulk messages are implicitly designated as having a Time-in-Force of Day;
  - (2) a Market Maker may only submit bulk messages for a class in which the Market Maker has an appointment in that class;
  - (3) bulk messages are implicitly designated as Post Only; and
  - (4) the Trading System cancels, rejects, or reprices a bulk message bid (offer) with a price that locks or crosses the Exchange best offer (bid) or ABO (ABB).
- (m) The term “Cancel Back” shall mean an instruction a User designates on an order (including bulk messages, in the case of a Market Maker) to not be subject to the Price Adjust process pursuant to paragraph (i) above. The Trading System cancels or rejects an order with a Cancel Back instruction (immediately at the time the Trading System receives the order or upon return to the Trading System after being routed away) if displaying the order on the IEX Options Book would create a violation of Rule 28.120, or if the order cannot otherwise be executed or displayed in the IEX Options Book at its limit price. The Trading System executes a Book Only – Cancel Back order against resting orders.
- (n) The term “latency mechanism” shall mean a delay of 350 microseconds of latency that is added to each incoming order and quote message prior to processing by the Trading System. Due to force majeure events and acts of third parties, the Exchange does not guarantee that the delay will always be consistent. The Exchange will periodically monitor such latency and will make adjustments to the latency as reasonably necessary to achieve consistency with the latency as soon as commercially practicable. If the Exchange determines to increase or decrease the duration of the delay, it will do so only pursuant to an effective rule filing submitted pursuant to Section 19 of the Exchange Act.

#### **Rule 22.110. Days and Hours of Business**

- (a) The Exchange will begin accepting orders beginning at 8:00 a.m. Eastern Time, as described in Rule 22.160. Orders and bids and offers shall be open and available until 4:00 p.m. Eastern Time except for options contracts on Fund Shares, as defined in Rule 20.120(i), and option contracts on exchange-traded notes including Index-Linked Securities, as defined in Rule 20.120(l), which may close as of 4:15 p.m.

Eastern Time.

- (b) Except as set forth in paragraph (a) above or in unusual conditions as may be determined by the Exchange, hours during which transactions in options on individual stocks may be made on IEX Options shall correspond to the normal business days and hours for business set forth in the rules of the primary market trading the securities underlying options traded on IEX Options.
- (c) IEX Options shall not be open for business on any holiday observed by the Exchange.

### **Rule 22.120. Units of Trading**

The unit of trading in each series of options traded on IEX Options shall be the unit of trading established for that series by the Clearing Corporation pursuant to the Rules of the Clearing Corporation and the agreements of the Exchange with the Clearing Corporation.

### **Rule 22.130. Meaning of Premium Quotes and Orders**

#### **(a) General**

Except as provided in paragraph (b), orders shall be expressed in terms of dollars per unit of the underlying security. For example, a bid of “5” shall represent a bid of \$500 for an options contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of \$550 for an options contract having a unit of trading consisting of 110 shares of an underlying security.

#### **(b) Special Cases.**

Orders for an options contract for which IEX Options has established an adjusted unit of trading in accordance with Rule 22.120 (Units of Trading) shall be expressed in terms of dollars per 1/100 part of the total securities and/or other property constituting such adjusted unit of trading. For example, an offer of “3” shall represent an offer of \$300 for an options contract having a unit of trading consisting of 100 shares of an underlying security plus ten (10) rights.

### **Rule 22.140. Minimum Increments**

- (a) The following principles apply to the minimum quoting increments (also known as “minimum price variation” or “MPV”) for options contracts traded on IEX Options:
- (1) if the options series is trading at less than \$3.00, five (5) cents;
  - (2) if the options series is trading at \$3.00 or higher, ten (10) cents; and

- (3) if the options series is trading pursuant to the Penny Interval Program one (1) cent if the options series is trading at less than \$3.00, five (5) cents if the options series is trading at \$3.00 or higher, unless for QQQ, SPY, or IWM where the minimum quoting increment will be one cent for all series regardless of price.
- (b) The minimum trading increment for options contracts traded on IEX Options will be one (1) cent for all series.
- (c) Requirements for Penny Interval Program. The Exchange will list options classes for the Penny Interval Program (“Penny Program”) with minimum quoting requirements (“penny increments”) of one cent (\$0.01) and five cents (\$0.05), as set forth in paragraph (a) above. The list of the options classes included in the Penny Program will be announced by the Exchange via a circular distributed to Options Members and published by the Exchange on its website.
- (1) Initial Selection. The Penny Program will apply only to the 363 most actively traded multiply listed options classes, based on OCC’s National Cleared Volume, that (i) currently quote in penny increments, or (ii) overlie securities priced below \$200, or any index at an index level below \$200. Eligibility for inclusion in the Penny Program will be limited to those classes already operating under penny programs of other options exchanges at the time IEX Options is launched.
- (2) Annual Review. In December of each year, OCC will rank all multiply listed options classes based on National Cleared Volume for the six full calendar months from June 1 through November 30 for determination of the most actively traded options classes.
- A. Addition to the Penny Program. Based on the Annual Review, any options class not in the Penny Program that is among the 300 most actively traded multiply listed options classes overlying securities priced below \$200, or an index at an index level below \$200, will be added to the Penny Program on the first trading day of January.
- B. Removal from the Penny Program. Except as provided in subparagraphs (c)(3) – (6) below, based on the Annual Review, any options class in the Penny Program that falls outside the 425 most actively traded multiply listed options classes will be removed from the Penny Program on the first trading day of April.
- (3) Newly listed Options Classes. The Exchange may add to the Penny Program a newly listed options class provided that (i) it is among the 300 most actively traded multiply listed options classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below \$200 or the underlying index is at an index level below \$200.

Any options class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the Annual Review stated in subparagraph (c)(2) above.

- (4) Classes with Significant Growth in Activity. The Exchange may add any options class to the Penny Program, provided that (i) it is among the 75 most actively traded multiply listed options classes, as ranked by National Cleared Volume at OCC, in the past six full calendar months of trading and (ii) the underlying security is priced below \$200 or the underlying index is at an index level below \$200. Any options class added under this provision will be added on the first trading day of the second full month after it qualifies and will remain in the Penny Program for the rest of the calendar year, after which it will be subject to the Annual Review stated in subparagraph (c)(2) above.
- (5) Corporate Actions. If a corporate action involves one or more options classes in the Penny Program, all adjusted and unadjusted series of the options class will be included in the Penny Program. Any new options class added to the Penny Program under this provision will remain in the Penny Program for at least one full calendar year, after which it will be subject to the Annual Review stated in subparagraph (c)(2) above.
- (6) Delisted or Ineligible Options Classes. Any series in an options class participating in the Penny Program in which the underlying security has been delisted, or are identified by OCC as ineligible for opening customer transactions, will continue to quote pursuant to the terms of the Penny Program until all such options have expired.

### **Rule 22.150. Entry of Orders**

Users can enter orders into the Trading System, subject to the following requirements and conditions:

- (a) Users shall be permitted to transmit to the Trading System multiple orders at a single as well as multiple price levels. However, a Market Maker may enter only one bid and one offer for a series per MPID using bulk messages. Each order a User submits to the Exchange must contain the minimum information identified in the Exchange's technical specifications.
- (b) The Trading System shall time-stamp an order which shall determine the time ranking of the order for purposes of processing the order.
- (c) Orders can be entered into the Trading System (or previously entered orders cancelled) beginning at 8:00 a.m. Eastern Time, subject to Rule 22.160, until market close. Orders received prior to the opening of the Trading System will be rejected.

- (d) For each System Security, the aggregate size of all orders at the best price to buy and sell resident in the Trading System and eligible for display will be transmitted for display to the appropriate network processor.
- (e) Subject to the exceptions contained in paragraph (b) of 28.110 (Order Protection), an order will not be executed at a price that trades through another options exchange. An order that is designated by an Options Member as routable will be routed in compliance with applicable Trade-Through restrictions.
- (f) Any order entered with a price that would lock or cross a Protected Quotation of another options exchange that is not eligible for routing, the Price Adjust process as defined in paragraph (i) of Rule 22.100, or SUM as defined in paragraph (a) of Rule 22.270 will be cancelled.

### **Rule 22.160. Market Opening Procedures**

- (a) This Rule is applicable to all series that trade on the Exchange. The following are definitions for purposes of this Chapter 22 that are applicable to trading on IEX Options:
  - (1) “Auction” means the opening or reopening of a series for trading either with or without a trade.
    - (A) “Core Open Auction” means the Auction that opens trading after the beginning of Core Trading Hours.
    - (B) “Trading Halt Auction” means the Auction that reopens trading following a trading halt.
  - (2) “Auction Collar” means the price collar thresholds for the Indicative Match Price for an Auction.
    - (A) The upper Auction Collar will be the offer of the Legal Width Quote and the lower Auction Collar will be the bid of the Legal Width Quote, provided that if the bid of the Legal Width Quote is zero, the lower Auction Collar will be one MPV above zero for the series.
    - (B) If there is no Legal Width Quote, the Auction Collars will be published in the Auction Imbalance Information as zero.
  - (3) “Auction Imbalance Information” means the information that the Exchange disseminates

about an Auction via its proprietary data feeds and includes the Auction Collars, Auction Indicator, Book Clearing Price, Indicative Match Price, Matched Volume, Market Imbalance, and Total Imbalance. Auction Imbalance Information will be based on all quotes and orders eligible to participate in an Auction.

- (A) “Auction Indicator” means the indicator that provides a status update of whether an Auction cannot be conducted because either (i) there is no Legal Width Quote, or (ii) a Market Maker quote has not been received during the Opening MMQ Timer(s).
- (B) “Book Clearing Price” is the price at which all contracts could be traded in an Auction if not subject to the Auction Collar. The Book Clearing Price will be zero if a sell (buy) Imbalance cannot be filled by any buy (sell) interest.
- (C) “Imbalance” means the number of buy (sell) contracts that cannot be matched with sell (buy) contracts at the Indicative Match Price at any given time.
  - (i) “Total Imbalance” is the Imbalance of all buy (sell) contracts at the Indicative Match Price for all orders and quotes eligible to trade in an Auction.
  - (ii) “Market Imbalance” is the Imbalance of any remaining buy (sell) Market orders that are not matched for trading in the Auction.
- (4) “Auction Price” means the price at which an Auction that results in a trade is conducted.
- (5) “Auction Process” means the process that begins when the Exchange receives an Auction Trigger for a series and ends when the Auction is conducted.
- (A) The “initial Auction Process time period” means an Exchange-determined time period after the commencement of the Auction Process as specified by a Trading Alert.
- (6) “Auction Processing Period” means the period during which the Auction is being processed.
- (7) “Auction Trigger” means the information disseminated by the Primary Market in the underlying security that triggers the Auction Process for a series to begin.
  - (A) For a Core Open Auction, the Auction Trigger is when the Primary Market first disseminates at or after 9:30 a.m. Eastern Time both a two-sided quote and a trade of

any size that is at or within the quote.

- (B) For a Trading Halt Auction, the Auction Trigger is when the Primary Market disseminates at the end of a trading halt or pause a resume message, a two-sided quote, and a trade of any size that is at or within the quote.
- (8) “Away Market” means any national securities exchange that has qualified for participation in the Options Clearing Corporation pursuant to the provisions of the rules of the Options Clearing Corporation (1) with which the Exchange maintains an electronic linkage, and (2) that provides instantaneous responses to orders routed from the Exchange.
- (9) “Calculated NBBO” means the highest bid and lowest offer among all Market Maker quotes and the ABBO during the Auction Process.
- (10) “Indicative Match Price” means the price at which the maximum number of contracts can be traded in an Auction, subject to the Auction Collars. If there is no Legal Width Quote, the Indicative Match Price included in the Auction Imbalance Information will be calculated without Auction Collars.
- (A) If there is more than one price level at which the maximum number of contracts can be traded within the Auction Collars, the Indicative Match Price will be the price closest to the midpoint of the Legal Width Quote, rounded to the nearest MPV for the series, provided that the Indicative Match Price will not be lower (higher) than the highest (lowest) price of a Limit order to buy (sell) that is eligible to participate in the Auction.
- (B) An Indicative Match Price that is higher (lower) than the upper (lower) Auction Collar will be adjusted to the upper (lower) Auction Collar and orders eligible to participate in the Auction will trade at the collared Indicative Match Price.
- (i) Limit orders to buy (sell) with a limit price above (below) the upper (lower) Auction Collar will be included in the Auction Imbalance Information at the collared Indicative Match Price and will be eligible to trade at the Indicative Match Price.
- (ii) Limit orders and quotes to buy (sell) with a limit price below (above) the lower (upper) Auction Collar will not be included in the Auction Imbalance

Information and will not participate in an Auction.

- (C) If the Matched Volume for an Auction consists of only buy and sell Market orders, the Indicative Match Price will be the midpoint of the Legal Width Quote, rounded to the MPV for the series, or, if the Legal Width Quote is locked, the locked price.
- (D) If there is no Matched Volume, including if there are Market orders on only one side of the Market, the Indicative Match Price and Total Imbalance for the Auction Imbalance Information will be zero.

(11) A “Legal Width Quote” is a Calculated NBBO that:

- (A) may be locked, but not crossed;
- (B) does not contain a zero offer; and
- (C) has a spread between the Calculated NBBO for each options contract that does not exceed a maximum differential that is determined by the Exchange on a class basis, which amount may be modified during the Auction Process, and such maximum differentials (and modifications thereto) will be announced by Trading Alert, provided that the Exchange may establish differences other than the above for one or more series or classes of options.

(12) “Matched Volume” means the number of buy and sell contracts that can be matched at the Indicative Match Price.

(13) “Pre-open state” means the period before a series is opened or reopened for trading. During the pre-open state, the Exchange will accept quotes, Limit orders designated Day, and Market orders.

- (A) The pre-open state for the Core Open Auction begins at 8:00 a.m. Eastern Time and ends when the Auction Processing Period begins.
- (B) The pre-open state for a Trading Halt Auction begins at the beginning of the trading halt and ends when the Auction Processing Period begins.

(b) Auction Ranking. Orders and quotes on the side of the Imbalance are not guaranteed to participate in an

Auction and will be ranked pursuant to Rule 22.170, provided that:

- (1) Limit orders and quotes will be ranked based on their limit price and not the price at which they would participate in the Auction.
- (2) Market orders will be ranked ahead of Limit orders and quotes.
- (3) The Exchange will allocate orders and quotes at the same price in an Auction as set forth in Rule 22.170, except that the participation entitlements to a DMM or Specialist specified in Rule 22.170(f)(2) – (3) will not be available during an Auction.

(c) Auction Imbalance Information. Unless otherwise specified by Trading Alert, Auction Imbalance Information is updated at least every second until the Auction is conducted, unless there is no change to the information. The Exchange will begin disseminating Auction Imbalance Information at the following times:

- (1) Core Open Auction Imbalance Information will begin at 8:30 a.m. Eastern Time.
- (2) Trading Halt Auction Imbalance Information will begin at the beginning of the trading halt.

(d) Auction Process.

- (1) Upon receipt of the Auction Trigger for an underlying security, the Exchange disseminates a message to market participants indicating the initiation of the opening process and begins transitioning each options series for that underlying security from a pre-open state to continuous trading.
- (2) The Exchange will conduct an Auction when there is both a Legal Width Quote and, if applicable, Market Maker quote with a non-zero offer in the series (subject to the Opening MMQ Timer(s) requirements in paragraph (d)(3) of this Rule). Subject to the above:
  - (A) If there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price, except as specified in Rule 22.160(d)(4).
  - (B) If there is no Matched Volume that can trade at or within the Auction Collars, the Auction will not result in a trade and the Exchange will transition to continuous trading

as described in paragraph (f) of this Rule and the Auction will result in a quote.

- (3) Opening MMQ Timers. Each Opening MMQ Timer will be an Exchange-determined period that is announced by Trading Alert. Once the Auction Process begins, the Exchange will begin one or more Opening MMQ Timers for the Market Maker(s) assigned to a series to submit a quote with a non-zero offer, subject to the following:
- (A) If there are no Market Makers assigned to a series, the Exchange will conduct an Auction in that series based on only a Legal Width Quote, without waiting for the Opening MMQ Timer to end.
  - (B) If there is only one Market Maker assigned to a series:
    - (i) The Exchange will conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and the assigned Market Maker has submitted a quote with a non-zero offer.
    - (ii) If the Market Maker assigned to a series has not submitted a quote with a non-zero offer by the end of the Opening MMQ Timer and there is a Legal Width Quote, the Exchange will conduct the Auction.
  - (C) If there are two or more Market Makers assigned to a series:
    - (i) The Exchange will conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and at least two quotes with a non-zero offer submitted by assigned Market Maker(s).
    - (ii) If the Exchange has not received at least two quotes with a non-zero offer from any Market Maker(s) assigned to a series by the end of the Opening MMQ Timer, the Exchange will begin a second Opening MMQ Timer. During the second Opening MMQ Timer, the Exchange will conduct the Auction, without waiting for the second Opening MMQ Timer to end, if there is both a Legal Width Quote and at least one Market Maker has submitted a quote with a non-zero offer.
    - (iii) If no Market Maker assigned to a series has submitted a quote with a non-zero

offer by the end of the second Opening MMQ Timer and there is a Legal Width Quote, the Exchange will conduct the Auction.

- (4) For any option series that has not opened by the end of the initial Auction Process time period because the Calculated NBBO is wider than the Legal Width Quote, if the Calculated NBBO is not crossed and does not contain a zero offer, the Exchange will transition to continuous trading as described in paragraph (f) of this Rule after it first cancels Market Orders and Limit Orders to buy (sell) priced equal to or higher (lower) than the Indicative Match Price. In such case, the Auction Process is not intended to end with a trade, but it may result in a trade even if there is no Legal Width Quote if orders or quotes arrive during the period when the Exchange is evaluating the status of orders and quotes.
- (5) The Exchange may deviate from the standard manner of the Auction Process, including adjusting the timing of the Auction Process in any options series or opening or reopening a series when there is no Legal Width Quote, when it believes it is necessary in the interests of a fair and orderly market.

(e) Order Processing during an Auction Processing Period. For purposes of paragraphs (e) and (f) of this rule, an “order instruction” refers to a request to cancel, cancel and replace, or modify an order or quote. During the Auction Processing Period, the Exchange will reject new quotes and, if the Exchange receives order instructions for existing quotes, the Exchange will cancel any same-side quotes sent from the same logical port of that Market Maker. During the Auction Processing Period, new orders will be accepted but will not be processed until after the Auction Processing Period and order instructions for existing orders will be processed as follows:

- (1) An order instruction that arrives during the Auction Processing Period will not be processed until after the Auction Processing Period if it relates to an order that was received before the Auction Processing Period. Any subsequent order instructions relating to such order will be rejected when a prior order instruction is pending.
- (2) An order instruction that arrives during the Auction Processing Period will be processed on arrival if it relates to an order that was received during the Auction Processing Period.

(f) Transition to Continuous Trading. After the Auction Processing Period concludes, the Exchange will transition to continuous trading as follows:

- (1) Orders that are no longer eligible to trade will be cancelled.
- (2) During the transition to continuous trading, the Exchange will reject new quotes and, if the Exchange receives order instructions for existing quotes, the Exchange will cancel any same-side quotes sent from the logical port of that Market Maker and order instructions will be processed as follows:
  - (A) An order instruction that relates to an order that was received before the Auction Processing Period or that has already transitioned to continuous trading and that arrives during either the transition to continuous trading or the Auction Processing Period will be processed in time sequence with the processing of orders and quotes as specified in paragraphs (f)(3)(A) or (B) of this Rule. Any subsequent order instructions relating to such order will be rejected when a prior order instruction is pending.
  - (B) An order instruction that arrives during the transition to continuous trading will be processed on arrival if it relates to an order that was entered during either the Auction Processing Period or the transition to continuous trading and such order has not yet transitioned to continuous trading.
- (3) When transitioning to continuous trading following an Auction, orders and quotes will be processed as follows:
  - (A) The Exchange will process Auction-eligible orders and quotes that were received before the Auction Processing Period as follows:
    - (i) Limit orders and quotes will be subject to the Limit Order Price Protection, Arbitrage Check, and Intrinsic Value Check, as applicable.
    - (ii) Limit orders and Market orders will be subject to Drill-Through Protection.
    - (iii) Orders eligible to route that are marketable against Away Market Protected Quotations will route based on the ranking of such orders as set forth in Rule 22.170.
    - (iv) After routing eligible orders, orders and quotes not eligible to route that are marketable against Away Market Protected Quotations will cancel.

- (v) Once there are no more unexecuted orders marketable against Away Market Protected Quotations, orders and quotes that are marketable against other orders and quotes in the IEX Options Book will trade or be repriced.
  - (vi) Unexecuted Market orders will be cancelled.
  - (vii) The Exchange will send a quote to OPRA and proprietary data feeds representing the highest-priced bid and lowest-priced offer of any remaining unexecuted Auction-eligible orders and quotes that were received before the Auction Processing Period.
- (B) Next, orders that were received during the Auction Processing Period will be assigned a new working time in time sequence relative to one another based on original entry time and will be subject to the Limit Order Price Protection, Pre-Trade Risk Controls, Arbitrage Check, Intrinsic Value Check, and validations specified in Rule 22.260(a), as applicable, and if not cancelled, will be processed consistent with the terms of the order.
- (C) When transitioning to continuous trading:
- (i) The display price and working price of orders and quotes will be adjusted based on the contra-side interest in the IEX Options Book or ABBO, as provided for in Rule 22.100.
  - (ii) The display price and working price of a Day ISO will be adjusted in the same manner as a Book Only Limit order until the Day ISO is either traded in full or displayed at its limit price. The display price and working price of a Post Only Day ISO will be adjusted in the same manner as a Post Only order until the Post Only Day ISO is either traded in full or displayed at its limit price.
- (g) Order Processing During a Trading Halt. The Exchange will process new and existing orders and quotes in a series during a trading halt as follows:
- (1) cancel all resting Market Maker quotes;
  - (2) re-price all other resting orders on the IEX Options Book to their limit price;

- (3) accept and process all cancellations;
  - (4) reject incoming Limit orders designated IOC;
  - (5) accept all other incoming order and quote messages and instructions until the Auction Processing Period for the Trading Halt Auction, at which point, paragraph (e) of this Rule will govern the entry of incoming orders, quotes, and order instructions; and
  - (6) disseminate a zero bid and zero offer quote to OPRA and proprietary data feeds.
- (h) Whenever in the judgment of the Exchange the interests of a fair and orderly market so require, the Exchange may adjust the timing of or suspend the Auctions set forth in this Rule with prior notice to Options Members.

#### **Rule 22.170. Order Display and Book Processing**

All bids or offers made and accepted on IEX Options in accordance with the Exchange Rules shall constitute binding contracts, subject to applicable requirements of the Exchange Rules and the Rules of the Clearing Corporation. A Trading System order is an order that is entered into the Trading System for display and/or execution as appropriate. Such orders are executable against marketable contra-side orders in the Trading System. Trading System orders shall be executed through the IEX Options Book process set forth below:

- (a) Priority on the Exchange. The highest bid and lowest offer shall have priority on the Exchange.
- (b) Base Allocation Algorithm — Pro-Rata. Under this method, resting quotes and orders on the IEX Options Book are prioritized according to price. If there are two or more quotes or orders at the best price, then the contracts are allocated proportionally according to size (in a pro-rata fashion), rounded down to the nearest whole contract. If there are residual contracts to be filled, the quote or order with the largest remaining size (based on the pro rata calculation) will receive the first contract, and each successive contract (if any) will be allocated to each subsequent quote or order based on size (largest to smallest). If there are two or more quotes or orders with the same remaining size, then the quote or order with the first time priority will be allocated the next contract. Each successive contract (if any) will be allocated in the same manner.
- (c) Price Improvement. Any potential price improvement resulting from an execution in the Trading System shall accrue to the party that is removing liquidity previously posted to the IEX Options Book.
- (d) IEX Options. Listed options that are the subject of a trading halt initiated pursuant to Rule 21.120

(Trading Halts), shall open for trading at the time specified by the Exchange pursuant to Rule 21.130. When the Trading System opens, orders shall be added to the IEX Options Book in pro-rata priority and executed as described above in paragraph (b) above.

- (e) AIQ. Pursuant to Rule 22.100(h), Users may direct that orders entered into the Trading System not execute against orders entered under the same Unique Identifier. In such a case, the Trading System will not permit such orders to execute against one another, regardless of priority ranking.
- (f) Priority Overlays. The Exchange may apply one or more of the priority overlays to a class in any sequence, except if the Exchange applies any participation entitlement pursuant to subparagraph (2) or the small order priority pursuant to subparagraph (3), it must apply the Priority Customer overlay in subparagraph (1) ahead of the participation entitlement and small-size order priority in the priority sequence. After the Trading System executes an incoming order subject to the applicable priority overlays, the Trading System executes any remaining orders resting on the IEX Options Book (which are non-Priority Customer orders if the Exchange applies any of the overlays in subparagraphs (1) through (3)) pursuant to paragraph (b) above.
- (1) Priority Customer Overlay. A Priority Customer order at the highest bid or lowest offer has priority over orders and quotes of all other market participants at that price. If there are two or more Priority Customer orders at the same price, the Trading System prioritizes them in the order in which the Trading System received them (i.e., in time priority).
- (2) Specialist/DMM Participation Entitlement. The Exchange may apply one or more of the Specialist and DMM participation entitlements (in any sequence) to a class. With respect to Specialists, for each incoming order, if the Specialist has a quote at the NBBO, its participation entitlement is equal to the greater of (i) the proportion of the total size at the best price represented by the size of its quote, or (ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other non-Priority Customer at the NBBO and forty percent (40%) if there are two (2) or more other non-Priority Customers at the NBBO, or (iii) one (1) contract. For purposes of allocation, all non-Priority Customer interest at a certain price level shall be aggregated. With respect to DMMs, for each incoming order, if the order is a Directed Order designating the DMM, and the DMM has a quote at the national best bid or offer (“NBBO”), its participation entitlement is equal to the greater of (i) the proportion of the total size at the best price represented by the size of its quote, or (ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other non-Priority Customer at the NBBO and forty percent (40%) if there are two (2) or more other non-Priority Customers at the NBBO, or (iii) one (1)

contract. For purposes of allocation, all non-Priority Customer interest at a certain price level shall be aggregated.

(A) Only one participation entitlement may apply to a trade. If the Exchange applies a DMM participation entitlement and Specialist participation entitlement to a class, and both a DMM and Specialist have a quote at the highest bid or lowest offer, the DMM will receive an entitlement on a trade and the Specialist will not, irrespective of whether the Specialist participation entitlement is ahead of the DMM participation entitlement in the priority sequence.

(B) The participation entitlement is based on the number of non-Priority Customer contracts remaining after the Priority Customer overlay is applied.

(3) Small-Size Order Entitlement (1 – 5 Lot). If an incoming order has five or fewer contracts (“small-size order”), and the Specialist in the class has a quote at the highest bid or lowest offer, it has priority to execute against the entire size of the order or quote that does not execute against any Priority Customer orders at that price.

(A) If a small-size order is preferred to a DMM who is not the Specialist in the class, the DMM has a quote at the BBO, and the Exchange has applied the DMM participation entitlement, then the DMM receives its participation entitlement, and the small-size order entitlement does not apply to execution of that order. If the DMM does not have a quote at the BBO, but the Specialist in the class does have a quote at the BBO, then the Specialist receives the small-size order entitlement.

(B) If a small-size order is preferred to a Specialist, the Specialist has a quote at the BBO, and the Exchange has applied the DMM and Specialist participation entitlement, the Specialist receives the small-size order entitlement, and the participation entitlement does not apply to execution of that order.

(C) The Exchange reviews this provision on a quarterly basis, and will reduce the size of small-size orders if they comprise more than 40% of the volume executed on the Exchange.

(g) Latency Mechanism.

(1) The Exchange will apply the latency mechanism to:

(A) order and quote messages from a User;

(2) The Exchange will not apply the Latency Mechanism to the following:

- (A) outbound communications to a User;
- (B) inbound and outbound communications between the Exchange and an Away Market regarding a routed order;
- (C) inbound communications from Away Market data feeds and OPRA;
- (D) order processing and order execution on the IEX Options Book; and
- (E) outbound communications (e.g., bids, offers, and trades) to the Exchange's proprietary data feeds and to OPRA.

### **Rule 22.180. Order Routing**

(a) General. For System Securities, the order routing process shall be available to Users from 9:30 a.m. Eastern Time until market close, and shall route orders as follows. Users can designate orders that have not been executed in full by the Trading System pursuant to Rule 22.170 above as either available for routing or not available for routing. Orders designated as not available for routing and bulk messages, which are not eligible for routing, shall follow the book processing rules set forth in Rule 22.170 above.

(1) Routing of Market Orders. With respect to an order that is eligible for routing, the Trading System will designate Market orders as IOC or ISO with a limit price and will cause such orders to be routed to one or more options exchanges for potential execution, per the entering User's instructions, in compliance the Options Order Protection and Locked/Crossed Market Plan. After the Trading System receives responses to orders that were routed away, to the extent an order is not executed in full through the routing process, the Trading System will cancel any unexecuted portion back to the User.

(2) Routing of Marketable Limit Orders. With respect to an order that is eligible for routing, the Trading System will designate marketable Limit orders as IOC or ISO with a limit price and will cause such orders to be routed for execution to one or more options exchanges for potential execution, per the entering User's instructions, in compliance the Options Order Protection and Locked/Crossed Market Plan. After the Trading System receives responses to orders that were routed away, to the extent an order is not executed in full through the routing process, the Trading System will process the balance of such order as follows. Depending on parameters set by the User when the incoming order was originally entered, the Trading System will either: (i) process the unfilled balance of an order as an order with a Book Only instruction subject to the

price adjust process as defined in Rule 22.100(i), if applicable, or (ii) repeat the process described above by executing against the IEX Options Book and/or routing orders to other options exchanges until the original, incoming order is executed in its entirety or its limit price is reached. If the order's limit price is reached, the order will be posted in the IEX Options Book.

- (3) Routing Table. The Trading System will consider the quotations only of accessible markets when routing. The term "Trading System routing table" refers to the proprietary process for determining the specific options exchanges to which the Trading System routes orders and the order in which it routes them. The Exchange reserves the right to route orders simultaneously or sequentially and to modify the Trading System routing table at any time without notice.
- (b) Priority of Routed Orders. Orders that have been routed by the Trading System to other options exchanges are not ranked and maintained in the IEX Options Book pursuant to Rule 22.170, and therefore are not available to execute against incoming orders. Once routed by the Trading System, an order becomes subject to the rules and procedures of the destination options exchange including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, that order, or its remainder, shall receive a new time stamp reflecting the time of its return to the Trading System.
- (c) Users whose orders are routed to other options exchanges shall be obligated to honor such trades that are executed on other options exchanges to the same extent they would be obligated to honor a trade executed on IEX Options.
- (d) IEX Options shall route orders in options via IEX Services LLC, which serves as the Outbound Router of the Exchange, as defined in Rule 2.220 (IEX Services LLC as Outbound Router). The function of the Outbound Router will be to route orders in options listed and open for trading on IEX Options by transmitting such orders to one or more routing brokers that are not affiliated with the Exchange to other options exchanges ("Routing Services") pursuant to the Exchange Rules on behalf of IEX Options. The Outbound Router is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Exchange Act. Use of the Routing Services described in this subparagraph (d) to route orders to other market centers is optional. Parties that do not desire to use these Routing Services must designate orders as not available for routing.
- (1) For each routing broker used by the Exchange, an agreement will be in place between the Exchange and the routing broker that will, among other things, restrict the use of any confidential and proprietary information that the routing broker receives to legitimate business purposes necessary for routing orders at the direction of the Exchange.

- (2) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the routing broker, and any other entity, including any affiliate of the routing broker, and, if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services.
  - (3) The Exchange may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.
  - (4) The Exchange will provide its Routing Services in compliance with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.
  - (5) For all Routing Services, the Exchange will determine the logic that provides when, how, and where orders are routed away to other options exchanges.
  - (6) The routing broker will receive routing instructions from the Exchange, to route orders to other options exchanges and report such executions back to the Exchange. The routing broker cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.
  - (7) Any bid or offer entered on the Exchange routed to another options exchange via a routing broker that results in an execution shall be binding on the User that entered such bid/offer.
- (e) Market Access. In addition to the Exchange Rules regarding routing to away options exchanges, IEX Services LLC, as defined in Rule 2.220, has, pursuant to Rule 15c3-5 under the Exchange Act, implemented certain tests designed to mitigate the financial and regulatory risks associated with providing the Exchange's Users with access to such away options exchanges. Pursuant to the policies and procedures developed by IEX Services LLC to comply with Rule 15c3-5, if an order or series of orders are deemed to be erroneous or duplicative, would cause the entering User's credit exposure to exceed a preset credit threshold, or are non-compliant with applicable pre-trade regulatory requirements (as defined in Rule 15c3-5), IEX Services LLC will reject such orders prior to routing and/or seek to

cancel any orders that have been routed.

### **Rule 22.190. Anonymity**

- (a) Aggregated and individual transaction reports produced by the Trading System will indicate the details of a User's transactions, including the contra party's MPID, capacity, and clearing firm account number.
- (b) The Exchange shall reveal a User's identity when a registered clearing agency ceases to act for a participant, or the User's clearing firm, and the registered clearing agency determines not to guarantee the settlement of the User's trades.
- (c) The Exchange shall reveal a User's identity for regulatory purposes or to comply with an order of an arbitrator or court.

### **Rule 22.200. Transaction Price Binding**

The price at which an order is executed shall be binding notwithstanding that an erroneous report in respect thereto may have been rendered, or no report rendered. A report shall not be binding if an order was not actually executed but was reported to have been executed in error.

### **Rule 22.210. Clearing Member Give Up**

- (a) General. For each transaction in which a User participates, the User may indicate, at the time of the trade or through post-trade allocation, any OCC number of the Clearing Member through which the transaction will be cleared ("give up"). The Clearing Member that is given up must be a Designated Give Up or a Guarantor of the User as set forth in paragraph (b) below. Clearing Members may elect to Opt In, as defined and described in paragraph (c) below, and restrict one or more of its OCC number(s) ("Restricted OCC Number"). A User may give up a Restricted OCC Number provided the User has written authorization as described in paragraph (c)(2) below ("Authorized User") and provided the Restricted OCC Number belongs to a Designated Give Up of the User.
- (b) Designated Give Ups.
  - (1) Definition of Designated Give Up. For purposes of this Rule, a Designated Give Up of a User refers to a Clearing Member identified to the Exchange by that User as a Clearing Member the User requests the ability to give up and that has been processed by the Exchange as a Designated Give Up.
  - (2) Definition of Guarantor. For purposes of this Rule, a "Guarantor" of an executing User refers to a Clearing Member that has issued a Letter of Guarantee for the executing User under the Exchange

Rules that are in effect at the time of the execution of the applicable trade.

- (3) Identification of Designated Give Up. Every User (other than a Market Maker) must identify, in a form and manner prescribed by the Exchange and in advance of giving up any Clearing Member that is not a Guarantor for the User, any Designated Give Ups. A User shall only give up (A) a Clearing Member that has previously been identified and processed by the Exchange as a Designated Give Up for that User, provided that the Designated Give Up has not Opted In, or provided that the User is an Authorized User of that Designated Give Up, or (B) a Guarantor for that User.
  - (4) Non-Market Makers. Any User (other than a Market Maker) may designate, pursuant to subparagraph (b)(3) above, any Clearing Member other than its Guarantor, as a Designated Give Up.
  - (5) Market Makers. For each transaction in which a Market Maker participates, a Guarantor of the Market Maker shall be the Clearing Member through which the transaction will be cleared.
  - (6) Guarantors. A Guarantor for a User will be enabled to be given up for that User without any further action by the Clearing Member or User.
  - (7) Removal of Designated Give Up. If a User (other than a Market Maker) no longer wants the ability to give up a particular Designated Give Up, the User must notify the Exchange, in a form and manner prescribed by the Exchange.
- (c) Opt In. Clearing Members may request the Exchange restrict one or more of their OCC clearing numbers (“Opt In”) as described in subparagraph (c)(1) below. If a Clearing Member Opt In, the Exchange will require written authorization from the Clearing Member permitting a User to give up a Clearing Member’s Restricted OCC Number. An Opt In would remain in effect until the Clearing Member terminates the Opt In as described in subparagraph (c)(3) below. If a Clearing Member does not Opt In, that Clearing Member’s OCC number would be subject to give up by any User.
- (1) Clearing Member Process to Opt In. A Clearing Member may Opt In by sending a completed “Clearing Member Restriction Form” listing all Restricted OCC Numbers and Authorized Users. A Clearing Member may elect to restrict one or more OCC clearing numbers that are registered in its name at OCC. The Clearing Member would be required to submit the Clearing Member Restriction Form to the Exchange’s Market Operations as described on the form. Once submitted, the Exchange requires ninety days before a Restricted OCC Number is effective within the Trading System.

- (2) User Give Up Process for Restricted OCC Numbers. A User desiring to give up a Restricted OCC Number must become an Authorized User. The Clearing Member will be required to authorize a User as described in subparagraph (1) or (3), unless the Restricted OCC Number is already subject to a Letter of Guarantee that the User is a party to.
- (3) Amendments to Authorized Users or Restricted OCC Numbers. A Clearing Member may amend its Authorized Users or Restricted OCC Numbers by submitting a new Clearing Member Restriction Form to the Exchange's Market Operations indicating the amendment as described on the form. Once a Restricted OCC Number is effective within the Trading System pursuant to paragraph (1) above, the Exchange may permit the Clearing Member to authorize, or remove authorization for, a User to Give Up the Restricted OCC Number intra-day only in unusual circumstances, and on the next business day in all regular circumstances. The Exchange will promptly notify Users if they are no longer authorized to give up a Clearing Member's Restricted OCC Number. If a Clearing Member removes a Restricted OCC Number, any User may give up that OCC clearing number once the removal has become effective on or before the next business day, provided that the User has identified the Clearing Member as a Designated Give Up.
- (d) Trading System. The Exchange's trading systems shall only accept orders that identify an effective Designated Give Up or a Guarantor. For any Restricted OCC Number, the Exchange's trading systems will only accept orders for that number from an Authorized User that has also designated that Clearing Member as a Designated Give Up.
- (e) Notice. The Exchange shall notify a Clearing Member, in writing and as soon as practicable, of each User that has identified the Clearing Member as a Designated Give Up pursuant to subparagraph (b)(3) above. The Exchange shall notify a User, in writing and as soon as practicable, of each Clearing Member that has identified the User as an Authorized User pursuant to subparagraph (c) above.
- (f) Other Give Up Changes.
- (1) Give Up Changes Made by Executing User. If the executing User has the ability through an Exchange system to do so, the User may change the give up on the trade to another Designated Give Up, provided it's an Authorized User for any Restricted OCC Number, or to its Guarantor. The ability of an executing User to make any give up change will end at the trade input cutoff time established by the Clearing Corporation (or fifteen minutes thereafter if the Exchange receives and is able to process a request to extend its time of final trade submission to the Clearing Corporation) ("Trade Date Cutoff Time").

- (2) Give Up Changes Made by Designated Give Up to Affiliates and Back Office Agents. If a Designated Give Up has the ability through an Exchange system to do so, the Designated Give Up may change the give up on a trade to (A) another Clearing Member affiliated with the Designated Give Up or (B) a Clearing Member that is a back office agent for the Designated Give Up. The ability to make such a change will end at the Trade Date Cutoff Time.
- (3) Give Up Changes Made by Designated Give Ups or Guarantors and Clearing Members on T+1. If a Designated Give Up (or Guarantor) and a Clearing Member have the ability through an Exchange system to do so, the Designated Give Up (or Guarantor) and Clearing Member may each enter trade records into the Exchange's systems on the next trading day ("T+1") that would effect a transfer of a trade in nonexpired options series from that Designated Give Up (or Guarantor) to that Clearing Member. The ability to make such a change will end at 12:00 p.m. Eastern Time on T+1 ("T+1 Cutoff Time"). The Designated Give Up (or Guarantor) will notify the Exchange and all the parties to the trade, in writing, of any such change.
- (g) Responsibility. For purposes of the Exchange Rules, a Clearing Member will be financially responsible for all trades for which it is the give up at the Applicable Cutoff Time. Nothing in this Rule will preclude a different party from being responsible for the trade outside of the Exchange pursuant to the Rules of the Options Clearing Corporation, any agreement between the applicable parties, other applicable rules and regulations, arbitration, court proceedings or otherwise. For purposes of this Rule, the "Applicable Cutoff Time" shall refer to the cutoff time for non-expiring options series and to the Trade Date Cutoff Time for expiring options series.
- (h) Misuse. An intentional misuse of this Rule is impermissible, and may be treated as a violation of Rule 3.110.

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***••• Supplementary Material •••***

*.01 Nothing herein will be deemed to preclude the clearance of Exchange transactions by a non-User pursuant to the By-Laws of the Options Clearing Corporation so long as a Clearing Member who is a User is also designated as having responsibility under these Rules for the clearance of such transactions.*

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**Rule 22.220. Submission for Clearance**

- (a) All options transactions effected on IEX Options shall be submitted for clearance to the Clearing

Corporation, and all such transactions shall be subject to the Rules of the Clearing Corporation. Every Clearing Member shall be responsible for the clearance of IEX Options Transactions of such Clearing Member and of each User that gives up such Clearing Member's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such Clearing Member to such User, which authorization must be submitted to the Exchange, and the Exchange shall assume no responsibility with respect to any unmatched trade or for any delays or errors in the reporting to it of trade information.

- (b) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, IEX Options shall furnish the Clearing Corporation a report of each Clearing Member's matched trades.

### **Rule 22.230. Message Traffic Mitigation**

For the purpose of message traffic mitigation, based on IEX Options' traffic with respect to target traffic levels and in accordance with IEX Options' overall objective of reducing both peak and overall traffic:

- (a) IEX Options will periodically delist options with an average daily volume ("ADV") of less than 100 contracts. The Exchange will, on a monthly basis, determine the ADV for each series listed on IEX Options and delist the current series and not list the next series after expiration where the ADV is less than 100 contracts. For options series traded solely on IEX Options, the Exchange will delay delisting until there is no open interest in that options series.
- (b) IEX Options will implement a process by which an outbound quote message that has not been sent, but is about to be sent, will not be sent if a more current quote message for the same series is available for sending. This replace on queue functionality will be applied to all options series listed on IEX Options in real time and will not delay the sending of any messages.
- (c) IEX Options will also prioritize price update messages and send out price updates before sending size update messages. This functionality will be applied to all options series listed on the IEX Options and in conjunction with the previously described replace on queue functionality will ensure that IEX Options quote update messages are the most current and relevant available.
- (d) All message traffic mitigation mechanisms which are used on IEX Options will be identical to the OPRA "top of the book" broadcast.

### **Rule 22.240. Data Dissemination**

- (a) Dissemination of Quotations. The Exchange will disseminate to quotation vendors the highest bid and the lowest offer, and the aggregate quotation size associated therewith that is available, in accordance

with the requirements of Rule 602 of Regulation NMS under the Exchange Act.

(b) Exchange Data Products. The Exchange offers the following data products free of charge, except as otherwise noted in the Fee Schedule:

- (1) IEX Options DEEP. IEX Options DEEP is an uncompressed data feed that offers depth of book quotations and execution information based on options orders entered into the Trading System.
- (2) IEX Options TOPS. IEX Options TOPS is an uncompressed data feed that offers top of book quotations and execution information based on options orders entered into the Trading System.
- (3) DROP. DROP is an uncompressed data feed that offers information regarding the options trading activity of a specific User. DROP is only available to the User to whom the specific data relates and those recipients expressly authorized by the User.

#### **Rule 22.250. Pre-Trade and Activity-Based Risk Controls**

(a) The following are definitions for purposes of this Rule:

(1) “Pre-Trade Risk Controls” refer to the following optional limits, each of which an Options Member may utilize with respect to its trading activity on the Exchange.

(A) “Single-Order Risk Controls” refer to the following:

- (i) controls related to the maximum dollar amount for a single order to be applied one time (“Single Order Maximum Notional Value Risk Limit”) and the maximum number of contracts that may be included in a single order before it can be traded (“Single Order Maximum Quantity Risk Limit”);
- (ii) controls related to the price of an order or quote (including percentage-based and dollar-based controls);
- (iii) controls related to the order types or modifiers that can be utilized;
- (iv) controls to restrict the options classes transacted; and
- (v) controls to prohibit duplicative orders.

(2) “Activity-Based Risk Controls” refer to activity-based risk limits that may be applied to orders and quotes in an options class based on specified thresholds measured over the course of an Interval. The Activity-Based Risk Controls available on the Exchange are:

- (A) “Transaction-Based Risk Limit” refers to a pre-established limit on the number of an Options Member’s orders and quotes executed in a specified class of options per Interval;
- (B) “Volume-Based Risk Limit” refers to a pre-established limit on the number of contracts of an Options Member’s orders and quotes that can be executed in a specified class of options per Interval; or
- (C) “Percentage-Based Risk Limit” refers to a pre-established limit on the percentage of contracts executed in a specified class of options as measured against the full size of an Options Member’s orders and quotes executed per Interval. To determine whether an Options Member has breached the specified percentage limit, the Exchange calculates the percent of each order or quote in a specified class of options that is executed during an Interval (each, a “percentage”), and sums up those percentages. This risk limit will be breached if the sum of the percentages exceeds the pre-established limit.
- (3) “Global Risk Control” refers to a pre-established limit on the number of times an Options Member may breach its Activity-Based Risk Controls per Interval.
- (4) “Interval” refers to the configurable time period during which the Exchange will determine if an Activity-Based Risk Control or the Global Risk Control has been breached.
- (5) “MPID Group” refers to two or more MPIDs belonging to the same Options Member that are configured with the Exchange for the purposes of establishing risk limits for such MPIDs. The Exchange may limit the number of MPID Groups an Options Member can configure, which will be announced via a circular distributed to Options Members.
- (b) Setting and Adjusting Pre-Trade, Activity-Based, and Global Risk Controls.
- (1) Pre-Trade, Activity-Based and Global Risk Controls may be set before the beginning of a trading day.
- (2) Pre-Trade, Activity-Based and Global Risk Controls can be set at the MPID or MPID Group level, or both, depending on the risk control. Additionally, Pre-Trade Risk Controls to restrict the options class(es) transacted must be set per options class.
- (c) Automated Breach Actions. The Exchange will automatically take the following actions.
- (1) Pre-Trade Risk Controls.
- (A) Breach Action for Pre-Trade Risk Controls.

- (i) A Limit order or quote that breaches any Single-Order Risk Control will be rejected.
- (ii) A Market order that arrives during a pre-open state will be cancelled if the quantity remaining to trade after an Auction breaches the Single Order Maximum Notional Value Risk Limit. At all other times, a Market order that triggers or breaches any Single-Order Risk Control will be rejected.
- (iii) A Limit order or quote that would breach a price control under paragraph (a)(1)(A)(ii) above will be rejected or cancelled as specified in Rule 22.260(a) (Limit Order Price Protection).

## (2) Activity-Based Risk Controls

- (A) An Options Member acting as a Market Maker is required to apply one of the Activity-Based Risk Controls to all of its orders and quotes. An Options Member that is not acting as a Market Maker may, but is not required to, apply one of the Activity-Based Risk Controls to its orders.
- (B) To determine when an Activity-Based Risk Control has been breached, the Exchange will maintain a trade counter that will be incremented every time an order or quote trades and will aggregate the number of contracts traded during each such execution. An Options Member may opt to exclude any orders designated IOC from being considered by a trade counter.
- (C) When designating one of the three Activity-Based Risk Controls, the Options Member must indicate which of the following actions it wishes the Exchange to take if an Activity-Based Risk Limit is breached:
  - (i) Notification Only: The Exchange will continue to accept new order and quote messages and related instructions and will not cancel any unexecuted orders or quotes in the IEX Options Book.
  - (ii) Block Only: The Exchange will reject new order and quote messages and related instructions, provided that the Exchange will continue to process instructions from the Options Member to cancel one or more orders or quotes in full or any of the instructions specified in paragraph (e) of this Rule.
  - (iii) Cancel and Block: In addition to the restrictions defined above for “Block Only,”

the Exchange will cancel all unexecuted orders and quotes in the IEX Options Book.

(D) If an Options Member breaches an Activity-Based Risk Control, the Automated Breach Action will be applied to its orders and quotes in the affected class of options.

(E) The Exchange will specify by Trading Alert any applicable minimum, maximum and/or default settings for the Activity-Based Risk Controls, subject to the following:

(i) For the Transaction-Based Risk Limit, the minimum setting will not be less than one and the maximum setting will not be more than 2,000.

(ii) For the Volume-Based Risk Limit, the minimum setting will not be less than one and the maximum setting will not be more than 500,000.

(iii) For the Percentage-Based Risk Limit, the minimum setting will not be less than 50 and the maximum setting will not be more than 200,000.

(F) The Exchange will specify by Trading Alert the Interval for the Activity-Based Risk Controls, subject to the following:

(i) The Interval will not be less than 100 milliseconds and will not be greater than 300,000 milliseconds, inclusive of the duration of any trading halt occurring within that time.

(ii) For transactions occurring in the Core Open Auction, per Rule 22.160, the applicable time period is the lesser of (i) the time between the Core Open Auction of a series and the initial transaction or (ii) the Interval.

### (3) Global Risk Controls

(A) If the Global Risk Control limit is breached, the Exchange will Cancel and Block, per paragraph (c)(2)(C)(iii) above.

(B) If an Options Member breaches the Global Risk Control, the Automated Breach Action will be applied to all orders and quotes of the Options Member in all classes of options regardless of which class(es) of options caused the underlying breach of Activity-Based Risk Controls.

(C) The Exchange will specify by Trading Alert any applicable minimum, maximum and/or default settings for the Global Risk Control, provided that the minimum setting will not

be less than 25 and the maximum setting will not be more than 100.

(D) The Exchange will specify by Trading Alert the Interval for the Global Risk Controls, subject to the following:

(i) The Interval will not be less than 100 milliseconds and will not be greater than 300,000 milliseconds, inclusive of the duration of any trading halt occurring within that time.

(ii) For transactions occurring in the Core Open Auction, per Rule 22.160, the applicable time period is the lesser of (i) the time between the Core Open Auction of a series and the initial transaction or (ii) the Interval.

(d) Reinstatement of Options Member After Automated Breach Action. If either a “Block Only” or “Cancel and Block” Automated Breach Action has been triggered, the Exchange will not reinstate the Options Member’s ability to enter orders and quotes and related instructions on the Exchange (other than instructions to cancel one or more orders or quotes in full) without the consent of the Options Member, which may be provided via automated contact if it was a breach of an Activity-Based Risk Control. An Options Member that breaches the Global Risk Control will not be reinstated unless the Options Member provides consent via nonautomated contact with the Exchange.

(e) Kill Switch Actions. An Options Member can direct the Exchange to take one or more of the following actions with respect to orders and quotes at either an MPID or MPID Group level:

(1) Cancel all unexecuted orders and quotes in the IEX Options Book; or

(2) Block the entry of any new order and quote messages and related instructions, provided that the Exchange will continue to accept instructions from the Options Member to cancel one or more orders or quotes in full, and later, reverse that block.

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**••• Supplementary Material •••**

.01 The Pre-Trade, Activity-Based, and Global Risk Controls described in this Rule are meant to supplement, and not replace, the Options Member’s own internal systems, monitoring, and procedures related to risk management and are not designed for compliance with Rule 15c3-5 under the Exchange Act. Responsibility for compliance with all Exchange and SEC rules remains with the Options Member.

.02 An Options Member may set price controls under paragraph (a)(2)(A)(ii) above, that are equal to or

more restrictive than levels set out in Rule 22.260(a) regarding Limit Order Price Protection.

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### **Rule 22.260. Additional Price Protection Mechanisms and Risk Controls**

The Trading System's acceptance and execution of orders, quotes, and bulk messages, as applicable, are subject to the price protection mechanisms and risk controls in Rule 22.250, this Rule and as otherwise set forth in the Exchange Rules. All numeric values established by the Exchange pursuant to this Rule will be maintained by the Exchange in publicly available specifications and/or published in a circular distributed to Options Members. Unless otherwise specified the price protections set forth in this Rule, including the numeric values established by the Exchange, may not be disabled or adjusted. The Exchange may share any of a User's risk settings with the Clearing Member that clears transactions on behalf of the User.

#### (a) Limit Order Price Protection

(1) Each trading day, a Limit order or quote to buy (sell) will be rejected, or cancelled (if resting), if it is priced a Specified Threshold equal to or above (below) the Reference Price, rounded down to the nearest price within the MPV for the series ("Limit Order Price Protection"). Limit Order Price Protection will not be applied to a Limit order or quote if there is no Reference Price.

(A) A Limit order or quote that arrives when a series is open will be evaluated for Limit Order Price Protection on arrival.

(B) A Limit order or quote received during a pre-open state will be evaluated for Limit Order Price Protection after an Auction concludes.

(C) A Limit order or quote resting on the IEX Options Book before a trading halt will be evaluated for Limit Order Price Protection again after the Trading Halt Auction concludes.

(2) Reference Price. The Reference Price for calculating Limit Order Price Protection for an order or quote to buy (sell) will be the NBO (NBB), provided that, immediately following an Auction, the Reference Price will be the Auction Price or, if none, the upper (lower) Auction Collar price, or, if none, the NBO (NBB). For purposes of calculating Limit Order Price Protection, the Exchange will not use an adjusted NBBO.

(3) Specified Threshold. Unless determined otherwise by the Exchange and announced by Trading Alert, the Specified Threshold applicable to Limit Order Price Protection will be:

<u>Reference Price</u>	<u>Specified Threshold</u>
<u>\$0.00 to \$1.00</u>	<u>\$0.30</u>
<u>\$1.01 to \$10.00</u>	<u>50%</u>
<u>\$10.01 to \$20.00</u>	<u>40%</u>
<u>\$20.01 to \$50.00</u>	<u>30%</u>
<u>\$50.01 to \$100.00</u>	<u>20%</u>
<u>\$100.01 and higher</u>	<u>10%</u>

(b) Market Orders in No-Bid (Offer) Series.

(1) If the Trading System receives a sell Market order in a series after it is open for trading with an NBB of zero:

(A) if the NBO in the series is less than or equal to \$0.50, then the Trading System converts the Market order to a Limit order with a limit price equal to the minimum trading increment applicable to the series and enters the order into the IEX Options Book with a timestamp based on the time it enters the IEX Options Book.

(B) if the NBO in the series is greater than \$0.50, then the Trading System cancels or rejects the Market order, subject to a User's instructions, except if a drill-through process (described in paragraph (e)) is in progress for sell orders in the series and the sell Market order would be subject to the drill-through protection, then the order joins the ongoing drill-through process in the then-current iteration and at the then-current drill-through price, regardless of NBBO.

(2) If the Trading System receives a buy Market order in a series after it is open for trading with an NBO of zero, the Trading System cancels or rejects the Market order.

(c) Market Order NBBO Width Protection. If a User submits a Market order to the Trading System when the NBBO width is greater than x% of the midpoint of the NBBO, subject to a minimum and maximum dollar value (the Exchange determines "x" and the minimum and maximum dollar values on a class-by-class basis), the Trading System cancels or rejects the Market order.

(d) Price Reasonability Checks

(1) The Exchange will apply Price Reasonability Checks defined in paragraphs (2) and (3) of this Rule to all Limit orders and quotes during continuous trading on each trading day, subject to the following:

(A) A Limit order or quote received during a pre-open state will be subject to the Price Reasonability Checks after an Auction concludes. A Limit order or quote that was resting on the IEX Options Book before a trading halt will be subject to the Price Reasonability Checks again after the Trading Halt Auction. A put option message to buy will be subject to the Arbitrage Check regardless of when it arrives.

(B) If the calculation of the Price Reasonability Check is not consistent with the MPV for the series, it will be rounded down to the nearest price within the applicable MPV.

(C) The Price Reasonability Checks will not apply to:

- (i) any options series for which the underlying security has a non-standard cash or stock deliverable as part of a corporate action;
- (ii) any options series for which the underlying security is identified as over-the-counter (“OTC”); and
- (iii) any options series for which the Exchange determines it is necessary to exclude underlying securities in the interests of maintaining a fair and orderly market, which the Exchange will announce by Trading Alert.

(2) Arbitrage Checks for buy orders or quotes.

(A) Puts. Order or quote messages to buy for put options will be rejected if the price of the order or quote is equal to or greater than the strike price of the option.

(B) Calls. Order or quote messages to buy for call options will be rejected or canceled (if resting) if the price of the order or quote is equal to or greater than the price of the last trade (of any size) of the underlying security on the Primary Market, plus a specified threshold to be determined by the Exchange and announced by Trading Alert.

(3) Intrinsic Value Checks for sell orders or quotes.

(A) The Intrinsic Value for a put option is equal to the strike price minus the price of the last trade (of any size) of the underlying security on the Primary Market.

(B) The Intrinsic Value for a call option is equal to the price of the last trade (of any size) of

the underlying security on the Primary Market minus the strike price.

(C) ISOs to sell are not subject to the Intrinsic Value Check described in this paragraph (3).

(D) Puts and calls.

(i) Orders or quotes to sell for both puts and calls will be rejected or canceled (if resting) if the price of the order or quote is equal to or lower than its Intrinsic Value, minus a specified threshold to be determined by the Exchange and announced by Trading Alert.

(ii) The threshold percentage is based on the NBB, provided that, immediately following an Auction, it is based on the Auction Price or, if none, the lower Auction Collar price, or, if none, the NBB. For purposes of determining the Intrinsic Value, the Exchange will not use an adjusted NBBO. The Intrinsic Value Check for sell orders and quotes will not be applied if the Intrinsic Value cannot be calculated.

(E) Automated Breach Action for Maker Makers. If a Market Maker's order or quote message is rejected or cancelled (if resting) pursuant to paragraph (2) or (3) of this Rule, the Exchange will Cancel and Block orders and quotes in the affected class of options per Rule 22.250(c)(2)(C)(iii).

(i) Global Risk Control Trigger. This breach will be counted towards the Market Maker's Global Risk Control limit per Rule 22.250(a)(3).

(ii) Reinstatement of Market Maker After Automated Breach Action. The Exchange will not reinstate the Market Maker's ability to enter orders and quotes and related instructions on the Exchange in that class of options (other than instructions to cancel one or more orders/quotes in full) without the consent of the Market Maker, which may be provided via automated contact.

(e) Drill-Through Protection.

(1) If a buy (sell) order enters the IEX Options Book at the conclusion of the Auction Process or would execute or post to the IEX Options Book when it enters the IEX Options Book, the Trading System executes the order up to a buffer amount (the Exchange determines the buffer amount on a class and premium basis) above (below) the offer (bid) limit of the Auction Collar or the NBO (NBB) that existed at the time of entry into the IEX Options Book, respectively (the

“drill-through price”).

(2) The Trading System cancels or rejects any Market order with a Time-in-Force of IOC (or unexecuted portion) or Limit order with a Time-in-Force of IOC or (or unexecuted portion) not executed pursuant to paragraph (1).

(3) The Trading System enters a Limit order with a Time-in-Force of Day (or unexecuted portion) not executed pursuant to paragraph (1) in the IEX Options Book with a displayed price equal to the drill-through price.

(A) The order (or unexecuted portion) rests in the IEX Options Book at the drill-through price for the duration of consecutive time periods. The Exchange determines on a class-by-class basis the length of the time period in milliseconds, which may not exceed three seconds. Each time period is referred to as an “iteration” and the Exchange determines on a class-by-class basis the total number of iterations. Such determination shall be announced by a Trading Alert.

(B) Following the end of each period, the Trading System adds (if a buy order) or subtracts (if a sell order) one buffer amount (the Exchange determines the buffer amount on a class-by-class basis) to the drill-through price displayed during the preceding period (each new price becomes the “drill-through price”). The order (or unexecuted portion) rests in the IEX Options Book at that new drill-through price during the subsequent period. If at any time during this process, the NBO (NBB) changes to be below (above) the current drill-through price, such NBO (NBB) will become the new drill-through price for sell (buy) orders, and a new iteration will immediately begin. Any buy (sell) Limit order with a price that is less (greater) than the new drill-through price will be entered in the IEX Options Book at its limit price.

(C) The Trading System applies a timestamp to the order (or unexecuted portion) based on the time it enters or is re-priced in the IEX Options Book for priority purposes.

(D) If a Market or Limit order in a series enters the IEX Options Book while the drill-through process is in progress in that series and would be subject to the drill-through protection, the order joins the ongoing drill-through process in the then-current iteration and at the then-current drill-through price.

(E) The Trading System prioritizes orders that are part of the same drill-through iteration  
(i) based on the time the Trading System enters or reprices them in the IEX Options

Book (i.e., in time priority) when, after an iteration, the new drill-through price makes the order(s) marketable against resting orders and

(ii) in accordance with the base allocation algorithm described in Rule 22.170(b) when executing against any incoming interest.

(F) The order continues through this process until the earliest of the following to occur:

(i) the order fully executes;

(ii) the User cancels the order;

(iii) the buy (sell) order's limit price is less (greater) than the drill-through price at any time during application of the drill-through mechanism, in which case the order rests in the IEX Options Book at its limit price;

(iv) The order has rested in the IEX Options Book for the maximum number of iterations, as set forth in a Trading Alert, in which case the order is cancelled back to the originating User.

(G) The drill-through protection mechanism applies during all trading sessions.

(4) This protection does not apply to bulk messages or ISOs.

(f) Automated Breach Action for Maker Makers. If a Market Maker's order or quote message is rejected or cancelled (if resting) pursuant to paragraph (d)(2) or (d)(3) of this Rule, the Exchange will Cancel and Block orders and quotes in the affected class of options per Rule 22.250(c)(2)(C)(iii).

(1) Global Risk Control Trigger. This breach will be counted towards the Market Maker's Global Risk Control limit per Rule 22.250(a)(3).

(2) Reinstatement of Market Maker After Automated Breach Action. The Exchange will not reinstate the Market Maker's ability to enter orders and quotes and related instructions on the Exchange in that class of options (other than instructions to cancel one or more orders/quotes without the consent of the Market Maker, which may be provided via automated contact.

### **Rule 22.270. Step Up Mechanism ("SUM")**

This Rule governs the operation of the Step Up Mechanism ("SUM"). SUM is a feature within the Trading System that provides automated order handling in designated classes trading for qualifying orders that are not automatically executed by the Trading System.

(a) SUM Eligibility. The Exchange determines eligible order size, eligible order type, eligible order capacity (e.g., Priority Customer orders, non-Market Maker non-Priority Customer orders, and Market Maker orders), and classes in which SUM is activated. Bulk messages are not eligible for SUM. The Exchange does not initiate the SUM process if the NBBO is crossed. SUM automatically processes upon receipt of:

- (1) an eligible order that is marketable against the BBO that is not the NBBO; or
- (2) an eligible order that would improve the Exchange's BBO and that is marketable against the ABBO.

(b) Order Handling and Responses. Upon receipt of an order eligible for SUM pursuant to paragraph (a):

- (1) the Trading System electronically exposes the order at the NBBO immediately upon receipt. The order is exposed for a period of time determined by the Exchange on a class-by-class basis, which period of time may not exceed one second.
- (2) All Users may submit responses to the exposure message.
- (3) Responses
  - (A) must be limited to the size of the order being exposed;
  - (B) may be modified, cancelled or replaced any time during the exposure period; and
  - (C) are cancelled back at the end of the exposure period if unexecuted.

(c) Allocation of Exposed Orders.

- (1) Any responses priced at the prevailing NBBO or better will immediately trade against the order (in time priority).
- (2) If during the exposure period the Exchange receives an unrelated order (or quote) on the opposite side of the market from the exposed order that could trade against the exposed order at the prevailing NBBO price or better, then the orders will trade at the prevailing NBBO price. The exposure period will not terminate if a quantity remains on the exposed order after such trade.
- (3) Responses that are not immediately executable based on the prevailing NBBO may become executable during the exposure period based on changes to the NBBO. In the event of a change to the NBBO and at the conclusion of the exposure period, the Exchange will evaluate remaining responses as well as the ABBO and execute any remaining portion of the exposed order to the fullest extent possible at the best price(s) by executing against responses and unrelated orders.
- (4) Following the exposure period, the Exchange will route the remaining portion of the exposed order

to other exchanges, unless otherwise instructed by the User. Any portion of a routed order that returns unfilled shall trade against the Exchange's best bid/offer unless another exchange is quoting at a better price in which case new orders shall be generated and routed to trade against such better prices.

(5) All executions on the Exchange pursuant to this paragraph will comply with Rule 28.110.

(d) Early Termination of Exposure Period. In addition to the receipt of a response, or unrelated order or quote, to trade the entire exposed order at the NBBO or better, the exposure period also terminates prior to its expiration, and the Trading System processes the exposed order in accordance with paragraph (c) above if during the exposure period:

(1) the NBBO updates such that the exposed order is no longer marketable against the prevailing NBBO; or

(2) the Exchange is displaying an unrelated order on the same side of the market as the exposed order and such displayed order is subsequently locked or crossed by another options exchange.

## **CHAPTER 23. MARKET PARTICIPANTS**

### **Rule 23.100 Registration of Market Makers**

(a) A Market Maker is an Options Member with Registered Options Traders registered pursuant to Rule 23.110. Market Makers are registered with the Exchange for the purpose of making transactions as dealer-specialist in accordance with the provisions of this Chapter. Options Members registered as Market Makers have certain rights and bear certain responsibilities beyond those of other Options Members. All Market Makers are designated as specialists on the Exchange for all purposes under the Exchange Act and the rules and regulations thereunder.

(b) To register as a Specialist or as a Registered Market Maker, an Options Member shall file an application in writing on such forms as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider an applicant's market making ability and such other factors as the Exchange deems appropriate. After reviewing the application, the Exchange shall either approve or disapprove the applicant's registration as a Specialist or as a Registered Market Maker as described in Rules 23.130(b)(1) and 23.120(a), respectively. Once approved, a Specialist may apply to the Exchange to be considered for appointment as a Specialist in one or more options classes traded on the Exchange. The appointment of a Specialist shall be in accordance with Rule 23.130(g).

- (c) The registration of any Options Member as a Specialist or as a Registered Market Maker may be suspended or terminated by the Exchange upon a determination that such Options Member has failed to properly perform as a Market Maker.
- (d) These Rules place no limit on the number of qualifying entities that may become Market Makers. However, based on system constraints, capacity restrictions or other factors relevant to protecting the integrity of the Trading System, the Exchange may limit access to the Trading System, for a period to be determined in the Exchange's discretion, pending any action required to address the issue of concern to the Exchange. To the extent that the Exchange places permanent limitations on access to the Trading System on any Options Member(s), such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.

### **Rule 23.110 Registered Options Traders**

- (a) Market Maker quotations and orders may be submitted to the Trading System only by Registered Options Traders ("ROTs"). An ROT is permitted to enter quotes and orders only for the account of the Market Maker with which he is associated.
- (b) Registration of Registered Options Traders. The Exchange may, upon receiving an application in writing from a Market Maker on a form prescribed by the Exchange, approve a person as an ROT.
- (1) ROTs may be: (i) individual Options Members registered with the Exchange as Market Makers, or (ii) officers, partners, employees or associated persons of Options Members that are registered with the Exchange as Market Makers.
  - (2) To be approved as an ROT, a person must demonstrate knowledge of the Exchange Rules by passing an examination prescribed by the Exchange in accordance with Rule 2.160(i).
  - (3) The Exchange may require a Market Maker to provide additional information the Exchange considers necessary to establish whether a person should be approved.
  - (4) A person may be conditionally approved as an ROT subject to any conditions the Regulatory Function considers appropriate in the interests of maintaining a fair and orderly market.
- (c) Suspension or Withdrawal of Registration.
- (1) The Exchange may suspend or withdraw the registration previously given to a person to be an ROT if the Exchange determines that:
    - (A) the person has caused the Market Maker to fail to comply with the Exchange Rules;

- (B) the person is not properly performing the responsibilities of an ROT;
  - (C) the person has failed to meet the conditions set forth under paragraph (b) above; or
  - (D) the Exchange believes it is in the best interest of fair and orderly markets.
- (2) If the Exchange suspends the registration of a person as an ROT, the Market Maker must not allow the person to submit quotes and/or orders into the Trading System.
- (3) The registration of an ROT will be withdrawn upon the written request of the Options Member for which the ROT is registered. Such written request shall be submitted on the form prescribed by the Exchange.

### **Rule 23.120 Registered Market Makers**

#### (a) Appointment by the Exchange.

- (1) The Exchange shall appoint Registered Market Makers to one or more classes of options contracts traded on the Exchange. In making such appointments the Exchange shall consider:
- (A) the financial resources available to the Market Maker,
  - (B) the Market Maker's experience and expertise in market making or options trading,
  - (C) the preferences of the Market Maker to receive appointment(s) in specific options class(es), and
  - (D) the maintenance and enhancement of competition among Market Makers in each class of options contracts to which they are appointed.

#### (b) Allocation of Options Classes.

##### (1) Allocation to Registered Market Makers.

- (A) The Exchange (1) will allocate options classes and make appointments of Registered Market Makers to those classes, and (2) upon prior written notice, may limit the number of Market Makers in a class of options contracts traded on the Exchange as set forth in Rule 23.120(c).

#### (c) Number of Registered Market Makers Quoting per Class.

- (1) There is no limit on the number of Options Members that may become Registered Market Makers unless the Exchange determines to impose a limit based on system constraints, capacity restrictions, or other factors relevant to protecting the integrity of the Trading System. The

Exchange will not impose any such limitations until it has submitted objective standards for imposing the limits to the SEC for its review and approval.

- (d) No appointment of a Registered Market Maker shall be without the Registered Market Maker's consent to such appointment, provided that refusal to accept an appointment may be deemed sufficient cause for termination or suspension of a Registered Market Maker's registration.
- (e) The Exchange may suspend or terminate any appointment of a Registered Market Maker under this Rule and may make additional appointments or change the options classes included in a Registered Market Maker's appointed classes whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action.
- (f) The Exchange shall periodically conduct an evaluation of Registered Market Makers to determine whether they have fulfilled performance standards relating to, among other things, quality of markets, competition among Registered Market Makers, observance of ethical standards, administrative factors, regulatory matters, and other such data as may be pertinent. Failure by a Registered Market Maker to meet minimum performance standards may result in, among other things:
- (1) suspension, termination or restriction of an appointment to one or more of the options classes within the Market Maker's appointed classes;
  - (2) restriction of appointments to additional options classes in the Market Maker's appointed classes;
- or
- (3) suspension, termination, or restriction of the Market Maker's registration.

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**••• Supplementary Material •••**

.01 Registered Market Makers shall request appointments to (and relinquishment of appointments from) one or more classes of options contracts traded on the Exchange pursuant to Rule 23.120(a) via an Exchange approved electronic interface, which request must be submitted prior to 6:00 p.m. Eastern Time of the business day immediately preceding the next trading day. The Exchange approved electronic interface will also ensure that, before any appointment request (or relinquishment of an appointment) is approved, any limit on the number of Options Members that may become Market Makers established by Rule 23.100(d) has not been exceeded. Appointments (and relinquishment of appointments) shall become effective on the day after the request is submitted, provided that it has been approved. Approvals and denials of appointments (and relinquishment of appointments) shall be communicated by the Exchange in a form and

manner prescribed by the Exchange.

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## **Rule 23.130 Specialists**

### **(a) General Provisions**

(1) Specialist Defined. A Specialist is an individual or entity that has been deemed qualified by the Exchange for the purpose of making transactions on the Exchange in accordance with the provisions of Rule 23.100. Each Specialist thereof must be registered with the Exchange as a Market Maker. Any Options Member registered as a Market Maker with the Exchange is eligible to be qualified as a Specialist.

(2) Eligible Issues. A Specialist may be allocated any one or more of the options issues opened for trading at the Exchange subject to the concentration limits set forth in Rule 23.130(g)(1)(B).

### **(b) Qualification of Specialists.**

(1) Qualification of Specialists. The qualification of Specialists shall be conducted by the Exchange. The Specialist Qualification Process is as follows:

(A) Applications for qualification as a Specialist shall be general and shall not specify a particular options issue or issues. Applicants for qualification as a Specialist may present any matter they wish the Exchange to consider in conjunction with its decision. The Exchange may require that presentation to be solely or partially in writing, and may require the submission of additional information from an applicant.

(B) The Exchange may also specify one or more conditions on the applicant in respect to any representations made in the application process, including but not limited to representations regarding capital operations, personnel or technical resources.

### (2) Disqualification of Specialists.

(A) The Exchange may disqualify any Specialist due to a material financial, operational or personnel change warranting immediate action.

### (3) Resignation of Specialists.

(A) A Specialist or interim Specialist who fails to give a ten-day written notice of resignation to the Exchange may be subject to formal disciplinary action pursuant to IEX Rule Series 9.200.

(4) Interim Specialists.

- (A) If a Specialist has been relieved of an appointment or resigns or if the allocation otherwise becomes vacant, the Exchange may designate an interim Specialist pending the conclusion of a new Specialist selection process. The designation of an interim Specialist is not a prejudgment of the new Specialist selection process.

(c) Obligations of Specialists

(1) Each Specialist must meet the following obligations:

- (A) Assure that disseminated market quotations are accurate;
- (B) Honor guaranteed markets and any better markets pledged during the allocation process;
- (C) Generate and automatically update two-sided market quotations with size in all appointed series in accordance with Rule 23.150(c);
- (D) Fulfill general Market Maker obligations under Rule 23.140;
- (E) With respect to trading as a Specialist, effect trades that have a high degree of correlation with the overall pattern of trading for each series in the options issues involved;
- (F) Maintain communications with member firms in order to respond to suggestions and complaints;
- (G) Respond to competition by offering competitive markets and competitively-priced services;
- (H) Maintain a cash or liquid asset position of at least \$1,000,000. In the event that two or more Specialists are associated with each other and deal for the same Specialist account, this requirement will apply to such Specialists collectively, rather than to each Specialist individually;
- (I) Fully satisfy conditions of appointments pursuant to Subsection (b)(1)(B) of this Rule; and
- (J) Promptly inform the Exchange of any material change in financial or operational condition or in personnel.

(d) Rights of Specialists:

An Options Member assigned Specialist status in an issue is entitled to all rights and privileges normally associated with the assumption of the Specialist obligations in that issue during the allocation period. However, Specialist status in a particular options issue is not attached in any way to the status of the Options Member. In addition, when an Options Member is allocated an issue, any individual who represents the Specialist organization waives all rights to such allocation in the event that such individual separates from the Options Member.

(e) Specialist Performance of Market Maker Functions.

Specialists must perform all obligations provided in Chapter 23 of these Rules.

(f) Evaluation of Specialist Performance.

- (1) The Exchange shall periodically evaluate Specialists to determine whether each has fulfilled performance standards relating to, among other things: 1) quality of markets, 2) the Exchange's market share, 3) observance of ethical standards, 4) administrative factors, 5) regulatory matters, and such other data as may be pertinent.
- (2) In addition to meeting certain performance standards as described above, the Exchange will also take into consideration when evaluating a Specialist, the Specialist's compliance with any Market Maker obligations set forth in Exchange Rules, including, but not limited to, Rules 23.120, 23.140, and 23.150.
- (3) A finding by the Exchange that a Specialist has failed to meet minimum performance standards may result in one or more of the following actions: 1) moratorium on the allocation of new options issues, 2) reallocation of existing options; and 3) other disciplinary actions as deemed appropriate under the rules of the Exchange.
  - (A) A failure to meet minimum performance standards by a Specialist may form the basis for the Exchange to take an adverse action (as defined in Rule 1.160(c)) against the Specialist. Any Specialist affected by a decision of the Exchange shall be informed in writing of the decision, which decision shall include the findings, conclusions, any remedial action to be taken under this rule and the basis for such actions. Specialists have the right to appeal the Exchange's decision pursuant to IEX Rule Series 9.500, which governs adverse actions.

(g) Allocation of Options Classes.

- (1) Allocation to Specialists.

- (A) The Exchange may appoint one (1) Specialist to each options class traded on the Exchange.
- (B) The allocation of options classes to Specialists will be effected by the Exchange. The Exchange will select that candidate who appears best able to perform the functions of a Specialist in the designated options classes. Factors to be considered for selection include, but are not limited to, the following: experience with trading the options issue; adequacy of capital; willingness to promote the Exchange as a marketplace; operational capacity; support personnel; history of adherence to Exchange rules and securities laws; evaluations made pursuant to Rule 23.130(f) and any other criteria specified in this Rule. The Exchange will also consider the number and quality of issues that have been allocated, reallocated or transferred to a Specialist.
- (C) Transfer of Issues. Issues allocated to a Specialist may not be transferred to another firm without the express approval of the Exchange.

(2) Reallocation:

- (A) Reallocation in General. The Exchange may, at its discretion, reassign an options issue or issues to a new or existing Specialist or designate such issue as a non-Specialist issue under any of the following circumstances:
  - (i) If upon review, the Exchange determines, in its discretion, that a Specialist has not met minimum performance standards pursuant to Rule 23.130(e); of these Rules or has not met any condition of such Specialist's appointment under Rule 23.130(b)(1); or
  - (ii) If a Specialist incurs a material financial, operational or personnel change; or
  - (iii) If for any reason the Specialist is no longer eligible for appointment, resigns or fails to perform any duties required to be performed under this Rule. The incumbent Specialist shall remain eligible to apply for the subject allocation in the new selection process.
- (B) Review of Exchange Decisions:
  - (i) Any decision of the Exchange with respect to the qualification or disqualification of a Specialist pursuant to Rule 23.130(b)(2) or with respect to the allocation or reallocation of an issue may be deemed an adverse action by

Exchange. The Specialist shall have the right to appeal the Exchange's adverse action pursuant to IEX Rule Series 9.500, which governs adverse actions.

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**••• Supplementary Material •••**

.01 Specialists shall request appointments to (and relinquishment of appointments from) one or more classes of options contracts traded on the Exchange pursuant to Rule 23.130(b) via an Exchange approved electronic interface, which request must be submitted prior to 6:00 p.m. Eastern Time of the business day immediately preceding the next trading day. The Exchange approved electronic interface will also ensure that, before any appointment request (or relinquishment of an appointment) is approved, any limit on the number of Options Members that may become Market Makers established by Rule 23.100(d) has not been exceeded. Appointments (and relinquishment of appointments) shall become effective on the day after the request is submitted, provided that it has been approved. Approvals and denials of appointments (and relinquishment of appointments) shall be communicated by the Exchange in a form and manner prescribed by the Exchange.

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**Rule 23.140 Obligations of Market Makers**

- (a) General. Transactions of a Market Maker should constitute a course of dealing reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such a course of dealings.
- (b) Appointment. With respect to each options class to which a Registered Market Maker is appointed under Rule 23.120 or a Specialist is appointed under Rule 23.130, the Market Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular options contract, or a temporary distortion of the price relationships between options contracts of the same class. Without limiting the foregoing, a Market Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:
- (1) To compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed.
  - (2) To make markets that, absent changed market conditions, will be honored for the number of

contracts entered into the Trading System in all series of options classes to which the Market Maker is appointed.

(3) To update market quotations in response to changed market conditions in all series of options classes to which the Market Maker is appointed.

(4)

(A) To price options contracts fairly by, among other things, bidding and offering so as to create differences of no more than \$5 between the bid and offer (“bid/ask differentials”) following the opening rotation in an equity options contract;

(B) The Exchange may establish differences other than the bid/ask differentials described in (A) above for one or more options series or classes.

(5) The bid/ask differentials stated in subparagraph (b)(4) of this Rule shall not apply to in-the-money options where the underlying security’s market is wider than the differentials set forth above. For these options, the bid/ask differential may be as wide as the quotation on the primary market of the underlying security.

(c) Specialists. In addition to the obligations contained in this Rule for Market Makers generally, for options classes to which a Market Maker is an appointed Specialist, it shall have the responsibility to submit valid width quotes in each series not later than one minute following the dissemination of a quote or trade by the market for the underlying security.

(d) Classes of Options To Which Not Appointed. With respect to classes of options to which a Market Maker is not appointed, it should not engage in transactions for an account in which it has an interest that are disproportionate in relation to, or in derogation of, the performance of his obligations as specified in paragraph (b) above with respect to those classes of options to which it is appointed. Market Makers should not:

(1) Individually or as a group, intentionally or unintentionally, dominate the market in options contracts of a particular class, or

(2) Effect purchases or sales on the Exchange except in a reasonable and orderly manner.

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**••• Supplementary Material •••**

.01 It shall not be considered a violation of Rule 23.140(c) if the Specialist assigned in a particular equity

options class has not submitted valid width quotes in any series of such class within one minute following the dissemination of a quote or trade by the market for the underlying security if the affected series of such class have opened for trading within such one minute period, unless the Specialist demonstrates a pattern or practice of not submitting valid width quotes within one minute following the dissemination of a quote or trade by the market for the underlying security, irrespective of whether the series have opened for trading.

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### **Rule 23.150 Market Maker Quotations**

- (a) Options Classes. A quotation may only be entered by a Market Maker, and only in the options classes to which the Registered Market Maker is appointed under Rule 23.120 or the Specialist is appointed under Rule 23.130.
- (b) Price and Size Associated with Quotes. A Market Maker's bid and offer for a series of options contracts shall state a price accompanied by the number of contracts at that price the Market Maker is willing to buy or sell upon receipt of an order or upon interaction with a quotation entered by another Market Maker on the Exchange.
- (1) Price. The price of Market Maker quotes shall be in the minimum trading increments applicable to the security under Rule 22.140.
- (2) Size. The initial size of Market Maker incoming quotes must be for the minimum number of contracts, which minimum number shall be at least one (1) contract. The minimum number of contracts will be determined by the Exchange on a class-by-class basis and announced to the Options Members through a circular.
- (c) Two-Sided Quotes. A Market Maker that enters a bid (offer) in an options series in an appointed class on the Exchange must enter an offer (bid) within the spread allowable under Rule 23.140(b)(4), to qualify for the requirements set forth in paragraph (e) below.
- (d) Firm Quotes.
- (1) Market Maker bids and offers are firm for orders and Market Maker quotations both under this Rule and Rule 602 of Regulation NMS under the Exchange Act ("Rule 602 of Reg NMS") for the number of contracts specified according to the requirements of paragraph (b) above. Market Maker bids and offers are not firm under this Rule and Rule 602 of Reg NMS if:
- (A) a Trading System malfunction or other circumstance impairs the Exchange's ability to disseminate or update market quotes in a timely and accurate manner.

- (B) the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on the Exchange, and as a result, the market in the option is declared to be “fast” pursuant to Rule 21.140.
- (C) during trading rotations; or
- (D) any of the circumstances provided in paragraph (c)(4) of Rule 602 of Reg NMS exist.
- (e) Continuous Quotes. The following quoting requirements shall apply:
- (1) Specialists.
- (A) A Specialist must provide continuous two-sided quotations throughout the trading day in its appointed issues for 90% of the time the Exchange is open for trading in each issue. Such quotations must meet the legal quote width requirements of Rule 23.140(b)(4). These obligations will apply to all of the Specialist's appointed issues collectively, rather than on an issue-by-issue basis. Compliance with this obligation will be determined on a monthly basis.
- (B) If a technical failure or limitation of a system of the Exchange prevents a Specialist from maintaining, or prevents a Specialist from communicating to the Exchange, timely and accurate electronic quotes in an issue, the duration of such failure will not be considered in determining whether the Specialist has satisfied the 90% quoting standard with respect to that option issue. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.
- (2) Registered Market Makers.
- (A) A Registered Market Maker must provide continuous two-sided quotations throughout the trading day in its appointed issues for 60% of the time the Exchange is open for trading in each issue. Such quotations must meet the legal quote width requirements of Rule 23.140(b)(4). These obligations will apply to all of the Registered Market Maker's appointed issues collectively, rather than on an issue-by-issue basis. Compliance with this obligation will be determined on a monthly basis.
- (B) If a technical failure or limitation of a system of the Exchange prevents a Registered

Market Maker from maintaining, or prevents a Registered Market Maker from communicating to the Exchange, timely and accurate electronic quotes in an issue, the duration of such failure shall not be considered in determining whether the Registered Market Maker has satisfied the 60% quoting standard with respect to that option issue. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(3) Directed Market Makers

(A) A Directed Market Maker (DMM), as defined in Rule 17.100, must provide continuous two-sided quotations throughout the trading day in issues for which it receives Directed Orders for 90% of the time the Exchange is open for trading in each issue. Such quotations must meet the legal quote width requirements of Rule 23.140(b)(4). These obligations will apply collectively to all series in all of the issues for which the DMM receives Directed Orders, rather than on an issue-by-issue basis. Compliance with this obligation will be determined on a monthly basis.

(B) If a technical failure or limitation of a system of the Exchange prevents a DMM from maintaining, or prevents a DMM from communicating to the Exchange, timely and accurate electronic quotes in an issue, the duration of such failure shall not be considered in determining whether the DMM has satisfied the 90% quoting standard with respect to that option issue. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(4) A Market Maker may be called upon by an IEX Official to submit a single quote or maintain continuous quotes in one or more series of an option issue within its appointment whenever, in the judgment of such IEX Official, it is necessary to do so in the interest of maintaining fair and orderly markets.

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**••• Supplementary Material •••**

.01 The obligations set forth in paragraph (e) of this Rule do not apply to Market Makers with respect to adjusted option series, to series of options on cash equity securities with a time to expiration of nine months or greater. For purposes of this Rule, an adjusted option series is a series of options wherein, as a result of

a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares.

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(f) Temporary Withdrawal of Quotations by the Specialist. A Specialist may apply to the Exchange to withdraw temporarily from its Specialist status in an options class. The Specialist must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such a request, and, if the request is granted, the Exchange will temporarily reassign the options class to another Specialist.

(g) Options Classes Other Than Those to Which Appointed.

(1) A Market Maker is considered an OEF under these Rules in all classes in which the Market Maker has no appointment.

(2) A Market Maker may enter all other order types permitted to be entered by non-Customer participants under the Exchange Rules when the Market Maker is seeking to buy or sell options in all classes in which the Market Maker has no appointment.

(3) The total number of contracts a Market Maker (both Registered Market Makers and Specialists) may execute in classes in which it has no appointment may not exceed twenty-five percent (25%) of the total number of all contracts the Market Maker executes on the Exchange in any calendar quarter.

(h) If a Market Maker has designated that its quotations shall be subject to Rule 23.150(h) it shall be subject to cancellation or repricing, as selected by the Market Maker, under the following circumstances:

(1) Options Risk Parameter. The Exchange utilizes real time relative quoting activity of Protected Quotations in securities underlying each listed options series and a proprietary mathematical calculation (the “quote instability calculation”) to assess the probability of an imminent change to the current best Protected Bid of the Away Markets (as defined in IEX Rule 22.160(a)(8)) to a lower price or imminent change to the current best Protected Offer of the Away Markets to a higher price for a particular listed options series. The Exchange will determine on a class-by-class basis whether to apply the Options Risk Parameter, which determination will be communicated by Trading Alert.

- (A) For each options series, the Trading System maintains a real-time estimate of the sensitivity of the series to changes in the midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges (as defined in IEX Rule 11.190(g)) for the underlying security (based on a Black-Scholes assessment). When there is an update to the best Protected Bid or best Protected Offer of the Signal Exchanges for the underlying security, the System uses the formula described in Supplementary Material .04 to this subparagraph to calculate whether to generate a quote instability determination for each options series overlying the underlying security. The System independently assesses whether to generate a quote instability determination affecting resting bids and offers for each options series.
- (B) A quote instability determination may only be generated at least 200 microseconds after a prior quote instability determination for a particular options series on the same side of the market (i.e., affecting resting bids or offers). A quote instability determination is generated by the System when, pursuant to the quote instability predefined calculation, the quote instability factor is greater than the defined quote instability threshold and the option series delta absolute value is within a specified range, as set forth in Supplementary Material 0.4.
- (C) If a quote instability determination is generated for an options series being quoted by a Market Maker and the quote is above (below) the price level of the quote instability determination, the quote will be cancelled or repriced to the price level of the quote instability determination, as selected by the Market Maker.

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**••• Supplementary Material •••**

.01 Once an NMS Stock has entered either a Limit or Straddle State, the Exchange shall relieve Specialists and Registered Market Makers from the following quotation obligations for options on the affected underlying NMS Stock:

- (1) the minimum size requirement set forth in Options Rule 23.150(b)(2);
- (2) the requirement to submit two-sided quotes set forth in Options Rule 23.150(c); and
- (3) the continuous quoting obligation set forth in Options Rule 23.150(e).

The relief described in this Supplementary Material .01 shall terminate when the Limit or Straddle State no

longer exists in the affected NMS Stock.

.02 The Exchange may consider other exceptions to Market Maker quotation obligations based on demonstrated legal or regulatory requirements or other mitigating circumstances.

.03 The obligations set forth in Rule 23.150(e)(1) and (2) do not apply to options series with a time to expiration of nine (9) months or greater, nor to intra-day add-on series. That limitation, however, does not prevent Specialists or Registered Market Makers from quoting such long-term and intra-day add-on options series and does not prevent Specialists or Registered Market Makers from receiving Directed Orders and the participation entitlement in such series in accordance with the provisions set forth in Rule 22.170(f)(2).

.04 Quote instability calculation.

(1) Sensitivity Parameter. The Exchange's proprietary quote instability calculation used to determine the sensitivity parameter for an options series is defined by the following formula that utilizes the variables defined below:

- (a) underlying\_price: midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges for the underlying security
- (b) underlying\_price\_lagged: midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges for the underlying security U\_TIME\_WINDOW milliseconds prior OR U\_UPDATE\_WINDOW updates ago, whichever is more recent.
- (c) U\_TIME\_WINDOW : 20
- (d) U\_UPDATE\_WINDOW : 100
- (e) underlying\_change: underlying\_price - underlying\_price\_lagged
- (f) underlying\_change\_down: underlying\_change if negative, otherwise 0
- (g) underlying\_change\_up: underlying\_change if positive, otherwise 0
- (h) strike\_price: strike price of the options series
- (i) contract: options series is a Call or Put
- (j) time\_to\_expiry: fraction of regular market hours left in trading day plus dates til expiry for the instrument, annualized (divided by 365), with a minimum value of TTE\_MIN := 0.00005

(k) implied\_volatility: function of strike\_price, time\_to\_expiry, contract, underlying\_price, and price of the options series. See Supplementary Material .05.

(l) delta\_intermediate:

$$\frac{\ln\left(\frac{\text{underlying\_price}}{\text{strike\_price}}\right) + \frac{\text{time\_to\_expiry} * \text{implied\_volatility}^2}{2}}{\text{implied\_volatility} * \sqrt{\text{time\_to\_expiry}}}$$

(m) delta\_call: cdf\_approximation(delta\_intermediate)

(n) cdf\_approximation(x) :=  $1 / (1 + \exp(-1.65451 * x))$

(o) delta\_put: delta\_call - 1

(p) delta\_absolute\_value: if contract = Call, delta\_call, else  $|\text{delta\_put}|$

(q) Delta Bound Band: To be periodically determined by the Exchange at or within a range of 0 - 1

(r) instrument\_PBB/PBO\_lagged: value of PBB/PBO for the instrument U\_TIME\_WINDOW milliseconds prior or U\_UPDATE\_WINDOW updates ago, whichever is more recent.

(2) Upon an update to the best Protected Bid or best Protected Offer of the Signal Exchanges for the underlying security, the System performs the following calculations:

(a) quote\_instability\_factor\_up: if contract = Call, delta\_call \* underlying\_change\_up/instrument\_PBO\_lagged, else, delta\_put \* underlying\_change\_down/instrument\_PBO\_lagged

(b) quote\_instability\_factor\_down: if contract = Call,  $-1 * \text{delta\_call} * \text{underlying\_change\_down/instrument\_PBB\_lagged}$ , else,  $-1 * \text{delta\_put} * \text{underlying\_change\_up/instrument\_PBB\_lagged}$

(c) Model will generate a quote instability determination "up" at a price level equal to:

instrument\_PBO\_lagged \* (1 + quote\_instability\_factor\_up), rounded to the nearest MPV, if quote\_instability\_factor\_up > Quote Instability Threshold and

delta\_absolute\_value is within Delta Bound Band

- (d) Model will generate a quote instability determination “down” at a price level equal to:

instrument\_PBB\_lagged\*(1-quote\_instability\_factor\_down), rounded to the nearest MPV, if quote\_instability\_factor\_down > Quote Instability Threshold and delta\_absolute\_value is within Delta Bound Band

- (e) Quote Instability Threshold: To be periodically determined by the Exchange within a range of 0 – 1 and communicated by Trading Alert with at least 30 days prior notice.

.05 Calculation of implied\_volatility:

The Exchange will compute a value for implied\_volatility that is shared across all options series with the same underlying whenever it receives an update to the best Protected Bid or best Protected Offer of the Signal Exchanges for the underlying security. Upon the first such update of each half-hour of system operation (or such shorter time-frame as communicated by Trading Alert with at least 30 days prior notice), the system will compute the following variables:

- (a) vol\_reference\_instrument: Call instrument with earliest expiration date from the current date with closest strike\_price to underlying\_mid without exceeding underlying\_mid
- (b) ref\_mid: midpoint of the best Protected Bid and best Protected Offer of the Away Markets for the vol\_reference\_instrument after it is identified
- (c) ref\_time\_to\_expiry: fraction of regular market hours left in trading day plus dates til expiry for vol\_reference\_instrument, annualized (divided by 365), with a minimum value of TTE\_MIN

From these variables and the value of underlying\_price defined in Supplementary Material .04 (1)(a) above, the system will compute implied\_volatility as follows:

implied\_volatility := ref\_mid / (0.4 \* underlying\_price \* sqrt(ref\_time\_to\_expiry))

### **Rule 23.160. Securities Accounts and Orders of Market Makers**

- (a) Identification of Accounts. In a manner prescribed by the Exchange, each Market Maker shall file with the Exchange and keep current a list identifying all accounts for stock, options and related securities

trading in which the Market Maker may, directly or indirectly, engage in trading activities or over which it exercises investment discretion. No Market Maker shall engage in stock, options or related securities trading in an account which has not been reported pursuant to this Rule.

- (b) Reports of Orders. Each Market Maker shall, upon request and in the form prescribed by the Exchange, report to the Exchange every order entered by the Market Maker for the purchase or sale of (1) a security underlying options traded on IEX Options, or (2) a security convertible into or exchangeable for such underlying security, as well as opening and closing positions in all such securities held in each account reported pursuant to paragraph (a) of this Rule. The report pertaining to orders must include the terms of each order, identification of the brokerage firms through which the orders were entered, the times of entry or cancellation, the times report of execution were received and, if all or part of the order was executed, the quantity and execution price.
- (c) Joint Accounts. No Market Maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any options contract unless each participant in such joint account is an Options Member and unless such account is reported to, and not disapproved by, the Exchange. Such reports in a form prescribed by the Exchange shall be filed with the Exchange before any transaction is effected on IEX Options for such joint account. A participant in a joint account must:
- (1) Be either a Market Maker or a Clearing Member that carries the joint account.
  - (2) File and keep current a completed application on such form as is prescribed by the Exchange.
  - (3) Be jointly and severally responsible for assuring that the account complies with all Exchange Rules.
  - (4) Not be a Market Maker registered to the same options classes to which the joint account holder is also registered as a Market Maker.

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**••• Supplementary Material •••**

.01 Reports of accounts and transactions required to be filed with IEX Options pursuant to this Rule relate only to accounts in which a Market Maker, as an individual, directly or indirectly controls trading activities or has a direct interest in the profits or losses of such account. Such reports would be required for accounts over which a Market Maker exercises investment discretion as well as a Market Maker's proprietary accounts.

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**Rule 23.170. Letters of Guarantee**

- (a) Required of Each Options Member. No Options Member shall make any transactions on IEX Options unless a Letter of Guarantee has been issued for such Options Member by a Clearing Member and filed with the Exchange, and unless such Letter of Guarantee has not been revoked pursuant to paragraph (c) of this Rule.
- (b) Terms of Letter of Guarantee. A Letter of Guarantee shall provide that the issuing Clearing Member accepts financial responsibilities for all IEX Options Transactions made by the guaranteed Options Member.
- (c) Revocation of Letter of Guarantee. A Letter of Guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the Exchange by the Guarantor Clearing Member. A revocation shall in no way relieve a Clearing Member of responsibility for transactions guaranteed prior to the effective date of such revocation.

**Rule 23.180. Financial Requirements for Market Makers**

- (a) Each Market Maker shall maintain (i) net liquidating equity in its Market Maker account of not less than \$200,000, and in conformity with such guidelines as the Exchange may establish from time to time, and (ii) net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1. Each Market Maker which is a Clearing Member shall also maintain net capital sufficient to comply with the requirements of the Clearing Corporation. This equity requirement, as well as all other provisions of the section (including capital maintenance requirements), applies to each Market Maker account, without regard to the number of Market Maker accounts per firm. The term “net liquidating equity” means the sum of positive cash balances and long securities positions less negative cash balances and short securities positions.
- (b) Each Market Maker that makes an arrangement to finance his transactions as a Market Maker must identify in writing to the Exchange the source of the financing and its terms. The Exchange must be informed immediately of the intention of any party to terminate or change any such arrangement.

**Rule 23.190. Mass Cancellation of Trading Interest**

A User may simultaneously cancel or remove all or a subset of its bids, offers, and orders in all series of options or in all options for a specified underlying security by requesting the Exchange to effect such cancellation. A User may also request that the Exchange block all or a subset of its new inbound bids, offers, and orders in all series of options or in all options for a specified underlying security. The block will

remain in effect until the User requests the Exchange remove the block.

### **Rule 23.200. Order Exposure Requirements**

With respect to orders routed to IEX Options, Options Members may not execute as principal orders they represent as agent unless (a) agency orders are first exposed on IEX Options for at least one (1) second or (b) the Options Member has been bidding or offering on IEX Options for at least one (1) second prior to receiving an agency order that is executable against such bid or offer.

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### **••• Supplementary Material •••**

.01 This Rule prevents Options Members from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on IEX Options an opportunity to either trade with the agency order or to trade at the execution price when the Options Member was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for an Options Member to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on IEX Options and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of this Rule for an Options Member to be a party to any arrangement designed to circumvent this Rule by providing an opportunity for a customer to regularly execute against agency orders handled by the Options Member immediately upon their entry into IEX Options.

.02 It will be a violation of this Rule for an Options Member to cause the execution of an order it represents as agent on IEX Options against orders it solicited from Options Members and non-Options Member broker-dealers, whether such solicited orders are entered into IEX Options directly by the Options Member or by the solicited party (either directly or through another Options Member), if the Options Member fails to expose orders on IEX Options as required by this Rule.

.03 Prior to or after submitting an order to IEX Options, an Options Member cannot inform another Options Member or any other third party of any of the terms of the order.

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## **CHAPTER 24. EXERCISES AND DELIVERIES**

**Rule 24.100. Exercise of Options Contracts**

- (a) Subject to the restrictions set forth in Rule 19.180 (Exercise Limits) and to such restrictions as may be imposed pursuant to Rule 19.210 (Other Restrictions on Options Transactions and Exercises) or pursuant to the Rules of the Clearing Corporation, an outstanding options contract may be exercised during the time period specified in the Rules of the Clearing Corporation by the tender to the Clearing Corporation of an exercise notice in accordance with the Rules of the Clearing Corporation. An exercise notice may be tendered to the Clearing Corporation only by the Clearing Member in the account of which such options contract is carried with the Clearing Corporation. Options Members may establish fixed procedures as to the latest time they will accept exercise instructions from customers.
- (b) Special procedures apply to the exercise of equity options on the business day of their expiration, or, in the case of an options contract expiring on a day that is not a business day, on the last business day before their expiration ("expiring options"). Unless waived by the Clearing Corporation, expiring options are subject to the Exercise-by-Exception ("Ex-by-Ex") procedure under Clearing Corporation Rule 805. This Rule provides that, unless contrary instructions are given, options contracts that are in-the-money by specified amounts shall be automatically exercised. In addition to the Rules of the Clearing Corporation, the following IEX Options requirements apply with respect to expiring options. Options holders desiring to exercise or not exercise expiring options must either:
- (1) take no action and allow exercise determinations to be made in accordance with the Clearing Corporation's Ex-by-Ex procedure where applicable; or
  - (2) submit a "Contrary Exercise Advice" (or "CEA") to IEX Options through the participant's clearing firm as specified in paragraph (d) below.
- (c) Exercise cut-off time.
- Options holders have until 5:30 p.m. Eastern Time on the business day immediately prior to the expiration date or, in the case of Quarterly Options Series, on the expiration date, to make a final decision to exercise or not exercise an expiring option. Options Members may not accept exercise instructions for customer or non-customer accounts after 5:30 p.m. Eastern Time.
- (d) Submission of Contrary Exercise Advices. A Contrary Exercise Advice is a communication either:
- (A) to not exercise an option that would be automatically exercised under the Clearing Corporation's

Ex-by-Ex procedure, or (B) to exercise an option that would not be automatically exercised under the Clearing Corporation's Ex-by-Ex procedure.

- (1) A Contrary Exercise Advice may be submitted to IEX Options by an Options Member by using the Clearing Corporation's ENCORE system (or successor system), a Contrary Exercise Advice form of any other national securities exchange of which the firm is a member and where the option is listed, or such other method as IEX Options may prescribe. A Contrary Exercise Advice may be canceled by filing an "Advice Cancel" with IEX Options or resubmitted at any time up to the submission cut-off times specified below.
  - (2) Deadline for CEA Submission for Customer Accounts. An Options Member has until 7:30 p.m. Eastern Time to submit a Contrary Exercise Advice.
  - (3) Deadline for CEA Submission for Non-Customer Accounts. An Options Member has until 7:30 p.m. Eastern Time to submit a Contrary Exercise Advice if such Options Member employs an electronic submission procedure with time stamp for the submission of exercise instructions by options holders. An Options Member is required to manually submit a Contrary Exercise Advice by 5:30 p.m. Eastern Time for non-customer accounts if such Options Member does not employ an electronic submission procedure with time stamp for the submission of exercise instructions by options holders.
- (e) If the Clearing Corporation has waived the Ex-by-Ex procedure for an options class, Options Members must either:
- (1) submit to IEX Options, a Contrary Exercise Advice, in a manner specified by IEX Options, within the time limits specified in paragraph (d) above if the holder intends to exercise the option; or
  - (2) take no action and allow the option to expire without being exercised.
- In cases where the Ex-by-Ex procedure has been waived, the Rules of the Clearing Corporation require that Options Members wishing to exercise such options must submit an affirmative Exercise Notice to the Clearing Corporation, whether or not a Contrary Exercise Advice has been filed with IEX Options.
- (f) An Options Member that has accepted the responsibility to indicate final exercise decisions on behalf

of another Options Member or non-Options Member broker-dealer shall take the necessary steps to ensure that such decisions are properly indicated to IEX Options. Such Options Member may establish a processing cut-off time prior to IEX Options' exercise cut-off time at which it will no longer accept final exercise decisions in expiring options from options holders for whom it indicates final exercise decisions. Each Options Member that indicates final exercise decisions through another broker-dealer is responsible for ensuring that final exercise decisions for all of its proprietary (including market maker) and public customer account positions are indicated in a timely manner to such broker-dealer.

(g) Notwithstanding the foregoing, Options Members may make final exercise decisions after the exercise cut-off time but prior to expiration without having submitted a Contrary Exercise Advice in the circumstances listed below. A memorandum setting forth the circumstance giving rise to instructions after the exercise cutoff time shall be maintained by the Options Member and a copy thereof shall be filed with IEX Options no later than 12:00 noon Eastern Time on the first business day following the respective expiration. An exercise decision after the exercise cut-off time may be made:

- (1) in order to remedy mistakes or errors made in good faith; or
- (2) where exceptional circumstances have restricted an options holder's ability to inform an Options Member of a decision regarding exercise, or an Options Member's ability to receive an options holder's decision by the cut-off time. The burden of establishing any of the above exceptions rests solely on the Options Member seeking to rely on such exceptions.

(h) In the event IEX Options provides advance notice on or before 5:30 p.m. Eastern Time on the business day immediately prior to the last business day before the expiration date indicating that a modified time for the close of trading in equity options on such last business day before expiration will occur, then the deadline to make a final decision to exercise or not exercise an expiring option shall be 1 hour 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. Eastern Time deadline found in paragraph (c) of this Rule. However, an Options Member has until 7:30 p.m. Eastern Time to deliver a Contrary Exercise Advice or Advice Cancel to IEX Options for customer accounts and non-customer accounts where such Options Member employs an electronic submission procedure with time stamp for the submission of exercise instructions. For non-customer accounts, Options Members that do not employ an electronic procedure with time stamp for the submission of exercise instructions are required to deliver a

Contrary Exercise Advice or Advice Cancel within 1 hour and 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. Eastern Time deadline found in paragraph (d) of this Rule.

- (i) Modification of cut-off time.
- (1) IEX Options may establish extended cut-off times for decision to exercise or not exercise an expiring option and for the submission of Contrary Exercise Advices on a case-by-case basis due to unusual circumstances. For purposes of this subparagraph (i)(1), an “unusual circumstance” includes, but is not limited to, increased market volatility; significant order imbalances; significant volume surges and/or systems capacity constraints; significant spreads between the bid and offer in underlying securities; internal system malfunctions affecting the ability to disseminate or update market bids and offers and/or execute or route orders; or other similar occurrences.
- (2) IEX Options with at least one (1) business day prior advance notice, by 12:00 noon Eastern Time on such day, may establish a reduced cut-off time for the decision to exercise or not exercise an expiring option and for the submission of Contrary Exercise Advices on a case-by-case basis due to unusual circumstances; provided, however, that under no circumstances should the exercise cut-off time and the time for submission of a Contrary Exercise Advice be before the close of trading. For purposes of this subparagraph (i)(2), an “unusual circumstance” includes, but is not limited to, a significant news announcement concerning the underlying security of an options contract that is scheduled to be released just after the close on the business day immediately prior to expiration.
- (j) Submitting or preparing an exercise instruction, contrary exercise advice or advice cancel after the applicable exercise cut-off time in any expiring options on the basis of material information released after the cut-off time is activity inconsistent with just and equitable principles of trade.
- (k) The failure of any Options Member to follow the procedures in this Rule may result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined by IEX Options.

.01 For purposes of this Rule, the terms “customer account” and “non-customer account” have the same meaning as defined in the Clearing Corporation By-Laws Article I(C)(28) and Article I(N)(2), respectively.

.02 Each Options Member shall prepare a memorandum of every exercise instruction received showing the time when such instruction was so received. Such memoranda shall be subject to the requirements of SEC Rule 17a-4(b).

.03 Each Options Member shall establish fixed procedures to ensure secure time stamps in connection with their electronic systems employed for the recording of submissions to exercise or not exercise expiring options.

.04 The filing of a Contrary Exercise Advice required by this Rule does not serve to substitute as the effective notice to the Clearing Corporation for the exercise or non-exercise of expiring options.

#### **Rule 24.110. Allocation of Exercise Notices**

- (a) Each Options Member shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in such Options Member’s customers’ accounts. The allocation shall be on a “first in, first out,” or automated random selection basis that has been approved by the Exchange, or on a manual random selection basis that has been specified by the Exchange. Each Options Member shall inform its customers in writing of the method it uses to allocate exercise notices to its customers’ account, explaining its manner of operation and the consequences of that system.
- (b) Each Options Member shall report its proposed method of allocation to the Exchange and obtain the Exchange’s prior approval thereof, and no Options Member shall change its method of allocation unless the change has been reported to and approved by the Exchange. The requirements of this paragraph shall not be applicable to allocation procedures submitted to and approved by another SRO having comparable standards pertaining to methods of allocation.
- (c) Each Options Member shall preserve for a three-year period sufficient work papers and other documentary materials relating to the allocation of exercise notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

#### **Rule 24.120. Delivery and Payment**

- (a) Delivery of the underlying security upon the exercise of an options contract, and payment of the

aggregate exercise price in respect thereof, shall be in accordance with the Rules of the Clearing Corporation.

- (b) As promptly as possible after the exercise of an options contract by a customer, the Options Member shall require the customer to make full cash payment of the aggregate exercise price in the case of a call options contract, or to deposit the underlying security in the case of a put options contract, or to make the required margin deposit in respect thereof if the transaction is effected in a margin account, in accordance with Exchange Rules, the provisions of Chapter 29 and the applicable regulations of the Federal Reserve Board.
- (c) As promptly as practicable after the assignment to a customer of an exercise notice the Options Member shall require the customer to deposit the underlying security in the case of a call options contract if the underlying security is not carried in the customer's account, or to make full cash payment of the aggregate exercise price in the case of a put options contract, or in either case to deposit the required margin in respect thereof if the transaction is effected in a margin account, in accordance with Exchange Rules, the provisions of Chapter 28, and the applicable regulations of the Federal Reserve Board.

## **CHAPTER 25. RECORDS, REPORTS AND AUDITS**

### **Rule 25.100. Maintenance, Retention and Furnishing of Books, Records and Other Information**

- (a) Each Options Member shall make, keep current and preserve such books and records as the Exchange may prescribe pursuant to Exchange Rules and as may be prescribed by the Exchange Act and the rules and regulations thereunder.
- (b) No Options Member shall refuse to make available to the Exchange such books, records or other information as may be called for under Exchange Rules or as may be requested in connection with an investigation by the Exchange.
- (c) All Options Members shall prepare and make available all books and records as required by Exchange Rules in English and U.S. dollars.

### **Rule 25.110. Reports of Uncovered Short Positions**

- (a) Upon request of the Exchange, each Options Member shall submit a report of the total uncovered short positions in each options contract of a class dealt in on IEX Options showing:

- (1) positions carried by such Options Member for its own account; and
  - (2) positions carried by such Options Member for the accounts of Customers, provided that the Options Member shall not report positions carried for the accounts of other Options Members where such other Options Members report the positions themselves.
- (b) Such report shall be submitted not later than the second business day following the date the request is made.

#### **Rule 25.120. Financial Reports and Audits**

Each Options Member shall submit to the Exchange answers to financial questionnaires, reports of income and expenses and additional financial information in the type, form, manner and time prescribed by the Exchange under Exchange Rules.

#### **Rule 25.130. Automated Submission of Trade Data**

- (a) An Options Member shall submit requested trade data elements, in such automated format as may be prescribed by the Exchange from time to time, in regard to a transaction(s) that is the subject of the particular request for information.
- (b) If the transaction was a proprietary transaction effected or caused to be effected by the Options Member for any account in which such Options Member, or any person associated with the Options Member, is directly or indirectly interested, the Options Member shall submit or cause to be submitted, any or all of the following information as requested by the Exchange:
- (1) Clearing house number or alpha symbol as used by the Options Member submitting the data;
  - (2) Clearing house number(s) or alpha symbol(s) as may be used from time to time, of the Options Member(s) on the opposite side of the transaction;
  - (3) Identifying symbol assigned to the security and where applicable for the options month and series symbols;
  - (4) Date transaction was executed;
  - (5) Number of options contracts for each specific transaction and whether each transaction was an opening or closing purchase or sale, as well as:
    - (A) the number of shares traded or held by accounts for which options data is submitted;
    - (B) where applicable, the number of shares for each specific transaction and whether each

transaction was a purchase, sale or short sale;

(6) Transaction price;

(7) Account number; and

(8) Market center where transaction was executed.

(c) If the transaction was effected or caused to be effected by the Options Member for any Customer, such Options Member shall submit or cause to be submitted any or all the following information as requested by the Exchange:

(1) Data elements (1) through (8) of paragraph (b) above;

(2) If the transaction was effected for a Public Customer, customer name, address(es), branch office number, representative number, whether the order was discretionary, solicited or unsolicited, date the account was opened and employer name and tax identification number(s); and

(3) If the transaction was effected for an Options Member's broker-dealer customer, whether the broker-dealer was acting as a principal or agent on the transaction or transactions that are the subject of the Exchange's request.

(d) In addition to the above trade data elements, an Options Member shall submit such other information in such automated format as may be prescribed by the Exchange, as may from time to time be required.

(e) The Exchange may grant exceptions, in such cases and for such time periods as it deems appropriate, from the requirement that the data elements prescribed in paragraphs (b) and (c) above be submitted to the Exchange in an automated format.

#### **Rule 25.140. Regulatory Cooperation**

(a) The Exchange may enter into agreements that provide for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes, with domestic and foreign self-regulatory organizations, as well as associations and contract markets and the regulators of such markets.

(b) No Options Member, partner, officer, director or other person associated with an Options Member or other person or entity subject to the jurisdiction of the Exchange shall refuse to appear and testify before another exchange or self-regulatory organization in connection with a regulatory investigation, examination or disciplinary proceeding or refuse to furnish documentary materials or other information or otherwise impede or delay such investigation, examination or disciplinary proceeding if the Exchange

requests such information or testimony in connection with an inquiry resulting from an agreement entered into by the Exchange pursuant to paragraph (a) of this Rule, including but not limited to Options Members and affiliates of the Intermarket Surveillance Group. The requirements of this paragraph (b) shall apply regardless whether the Exchange has itself initiated a formal investigation or disciplinary proceeding.

- (c) Whenever information is requested by the Exchange pursuant to this Rule, the Options Member or person associated with an Options Member from whom the information is requested shall have the same rights and procedural protections in responding to such request as such Options Member or person would have in the case of any other request for information initiated by the Exchange pursuant to the Exchange's investigative powers.

### **Rule 25.150. Risk Analysis of Options Market Maker Accounts**

Each Clearing Member that clears or guarantees the transactions of Market Makers pursuant to Rule 23.170 (Letters of Guarantee), shall establish and maintain written procedures for assessing and monitoring the potential risks to the Clearing Member's capital over a specified range of possible market movements of positions maintained in such Market Maker accounts and such related accounts as the Exchange shall from time to time direct. The procedures shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained and the position(s) within the organization responsible for the risk management.

## **CHAPTER 26. DISCIPLINE AND SUMMARY SUSPENSIONS**

### **Rule 26.100. Suspensions**

The provisions of Rule Series 8.300 (Sanctions) and Rule Series 9.200 (Disciplinary Proceedings) of the Exchange Rules shall be applicable to Options Members and trading on IEX Options.

### **Rule 26.110. Contracts of Suspended Members**

- (a) When an Options Member, other than a Clearing Member, is suspended pursuant to the Rules in this Chapter, all open short positions of the suspended Options Member in options contracts and all open positions resulting from exercise of options contracts, other than positions that are secured in full by a specific deposit or escrow deposit in accordance with the Rules of the Clearing Corporation, shall be closed without unnecessary delay by all Options Members carrying such positions for the account of the suspended Options Member; provided that the Exchange may cause the foregoing requirement to be

temporarily waived for such period as it may determine if it shall deem such temporary waiver to be in the interest of the public or the other Options Members of IEX Options.

- (b) No temporary waiver hereunder by the Exchange shall relieve the suspended Options Member of its obligations or of damages, nor shall it waive the close out requirements of any other Rules.
- (c) When a Clearing Member is suspended pursuant to the Rules in this Chapter, the positions of such Clearing Member shall be closed out in accordance with the Rules of the Clearing Corporation.

### **Rule 26.120. Penalty for Minor Rule Violations**

The following IEX Options rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Rule 9.216(b) and Rule 9.218 and impose the fine set forth below. The Exchange is not required to proceed under said Rules as to any rule violation and may, whenever such action is deemed appropriate, commence a disciplinary proceeding under Rule Series 9.200 (Disciplinary Proceedings) as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period (“Period”).

#### (a) Position Limit and Exercise Limit Violations.

Violations of Rule 19.160 (Position Limits) or Rule 19.180 (Exercise Limits) of these Rules shall be subject to the fines listed below.

<b><u>Number of Violations Within One Period</u></b>	<b><u>Fine Amount</u></b>
<u>First Offense</u>	<u>\$500</u>
<u>Second Offense</u>	<u>\$1,000</u>
<u>Third Offense</u>	<u>\$2,500</u>
<u>Fourth and Each Subsequent Offense</u>	<u>\$5,000</u>

\* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

#### (b) Reports Related to Position Limits.

Violations of Rule 19.190 regarding the failure to accurately report position and account information shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>\$500</u>
<u>2</u>	<u>\$1,000</u>
<u>3</u>	<u>\$2,500</u>
<u>4 or more</u>	<u>\$5,000</u>

(c) Market Maker Quoting Obligations.

Violations of Rule 23.150 regarding Market Maker quotation requirements shall be subject to the fines listed below.

<u>Number of Offenses Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>Letter of Caution</u>
<u>2</u>	<u>\$1,500</u>
<u>3</u>	<u>\$3,000</u>
<u>Subsequent Offenses</u>	<u>Formal Disciplinary Action</u>

(d) Expiring Exercise Declarations.

(1) Non-Cash-Settled Equity Options. Violations of Rule 24.100(a) through (k) regarding expiring exercise declarations and the timely submission of “Advice Cancel” or exercise instruction relating to the exercise or non-exercise of non-cash-settled equity options shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>	
	<u>Individual</u>	<u>Member Organization</u>

<u>1</u>	<u>\$500</u>	<u>\$1,000</u>
<u>2</u>	<u>\$1,000</u>	<u>\$2,500</u>
<u>3 or more</u>	<u>\$2,500</u>	<u>\$5,000</u>

(e) Requests for Trade Data.

Any Options Member who fails to respond within ten (10) business days to a request by the Exchange for submission of trade data pursuant to Rule 25.130 shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>\$2,500</u>
<u>2 or more</u>	<u>\$5,000 or Formal Disciplinary Action</u>

(f) Consolidated Audit Trail Compliance Rules.

For failures to comply with the Consolidated Audit Trail Compliance Rule requirements of Rule Series 11.600, the Exchange may impose a minor rule violation fine of up to \$2,500.

**CHAPTER 27. DOING BUSINESS WITH THE PUBLIC****Rule 27.100. Eligibility**

An OEF may only transact business with Public Customers if such Options Member also is an options member of another registered national securities exchange or association with which the Exchange has entered into an agreement under Rule 17d-2 under the Exchange Act pursuant to which such other exchange or association shall be the designated options examining authority for the OEF. Eligibility to transact business with the public shall be based upon an OEF's meeting the general requirements set forth in this Chapter and the net capital requirements set forth in Exchange Act Rule 15c3-1 (Net Capital Requirements). Such approval may be withdrawn if any such requirements cease to be met.

**Rule 27.110. Opening of Accounts**(a) Approval Required.

No OEF shall accept an order from a Public Customer to purchase or write an options contract unless the Public Customer's account has been approved for options transactions in accordance with the provisions of this Rule.

(b) Diligence in Opening Account.

In approving a Public Customer's account for options transactions, an OEF shall exercise due diligence to learn the essential facts as to the Public Customer and his investment objectives and financial situation, and shall make a record of such information, which shall be retained in accordance with SEC Rule 17a-4 under the Exchange Act. Based upon such information, the branch office manager or other Options Principal shall approve in writing the Public Customer's account for options transactions; provided, that if the branch office manager is not an Options Principal, his approval shall within a reasonable time be confirmed by an Options Principal.

(1) In fulfilling its obligations under this paragraph (b) with respect to options Public Customers that are natural persons, an OEF shall seek to obtain the following information at a minimum (information shall be obtained for all participants in a joint account):

(A) investment objectives (e.g., safety of principal, income, growth, trading profits, speculation);

(B) employment status (name of employer, self-employed or retired);

(C) estimated annual income from all sources;

(D) estimated net worth (exclusive of primary residence);

(E) estimated liquid net worth (cash, securities, other);

(F) marital status;

(G) number of dependents;

(H) age; and

(I) investment experience and knowledge (e.g., number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

(2) In addition to the information required in subparagraph (b)(1) above, the Public Customer's account records shall contain the following information, if applicable:

(A) the source or sources of background and financial information (including estimates)

concerning the Public Customer;

- (B) discretionary trading authorization, including agreement on file, name, relationship to Public Customer and experience of person holding trading authority;
- (C) date(s) options disclosure document(s) furnished to Public Customer;
- (D) nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions);
- (E) name of representative;
- (F) name of the Options Principal approving account;
- (G) date of approval; and
- (H) dates of verification of currency of account information.

(3) Refusal of a Public Customer to provide any of the information called for in this paragraph (b) shall be so noted on the Public Customer's records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

(c) Verification of Public Customer Background and Financial Information.

The background and financial information upon which the account of every new Public Customer that is a natural person has been approved for options trading, including all of the information required in paragraph (b)(2) of this Rule, unless the information is included in the Public Customer's account agreement, shall be sent to the Public Customer for verification or correction within fifteen (15) days after the Public Customer's account has been approved for options transactions. A copy of the background and financial information on file with the OEF shall also be sent to the Public Customer for verification within fifteen (15) days after the OEF becomes aware of any material change in the Public Customer's financial situation. Absent advice from the Public Customer to the contrary, the information will be deemed to be verified

(d) Agreements to Be Obtained.

Within fifteen (15) days after a Public Customer's account has been approved for options transactions, an OEF shall obtain from the Public Customer a written agreement that the account shall be handled in accordance with the Exchange Rules and the Rules of the Clearing Corporation and that such Public Customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Rules 19.160 (Position Limits) and 19.180 (Exercise Limits).

(e) Options Disclosure Documents to Be Furnished.

At or prior to the time a Public Customer's account is approved for options transactions, an OEF shall furnish the Public Customer with one (1) or more current options disclosure documents issued by the OCC in accordance with the requirements of Rule 27.190 (Delivery of Current Options Disclosure Documents and Prospectus).

(f) Every OEF transacting business with the public in uncovered options contracts shall develop, implement and maintain specific written procedures governing the conduct of such business that shall at least include the following:

- (1) specific criteria and standards to be used in evaluating the suitability of a Public Customer for uncovered short options transactions;
- (2) specific procedures for approval of accounts engaged in writing uncovered short options contracts (which for the purposes of this Rule shall include combinations and any transactions that involve naked writing), including written approval of such accounts by an Options Principal;
- (3) designation of a specific Options Principal(s) as responsible for approving accounts that do not meet the specific criteria and standards for writing uncovered short options transactions and for maintaining written records of the reasons for every account so approved;
- (4) establishment of specific minimum net equity requirements for initial approval and maintenance of Public Customer uncovered options accounts; and
- (5) requirements that Public Customers approved for writing uncovered short options transactions be provided with a special written description of the risks inherent in writing uncovered short options transactions, at or prior to the initial uncovered short options transaction pursuant to Rule 27.190 (Delivery of Current Options Disclosure Documents and Prospectus).

**Rule 27.120. Supervision of Accounts**

(a) Duty to Supervise - General.

Each Options Member that conducts a public customer options business shall ensure that its written supervisory system policies and procedures pursuant to Rule 5.110(b) (Written Procedures) adequately address the Options Member's public customer options business.

(b) Duty to Supervise - Non-Options Member Accounts.

Every OEF shall develop and implement a written program for the review of its non-Options Member Public Customer accounts and all orders in such accounts, insofar as such accounts and orders relate to options contracts.

(c) Duty to Supervise - Uncovered Short Options.

Every OEF shall develop and implement specific written procedures concerning the manner of supervision of Public Customer accounts maintaining uncovered short (written) options positions (which for the purposes of this Rule shall include combinations and any transactions that involve naked writing) and specifically providing for frequent supervisory review of such accounts.

(d) Maintenance of Public Customer Records.

Background and financial information of Public Customers who have been approved for options transactions shall be maintained at the principal supervisory office having jurisdiction over the office servicing a Public Customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each Public Customer's options account on a timely basis to determine:

- (1) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved;
- (2) the size and frequency of options transactions;
- (3) commission activity in the account;
- (4) profit or loss in the account;
- (5) undue concentration in any options class or classes; and
- (6) compliance with the provisions of Regulation T of the Federal Reserve Board.

**Rule 27.130. Suitability of Recommendations**

- (a) Every OEF, Options Principal or representative who recommends to a Public Customer the purchase or sale (writing) of any options contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such Public Customer on the basis of the information furnished by such Public Customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such OEF, Options Principal or representative.
- (b) No OEF, Options Principal or representative shall recommend to a Public Customer an opening transaction in any options contract unless the person making the recommendation has a reasonable basis

for believing at the time of making the recommendation that the Public Customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the options contract.

#### **Rule 27.140. Discretionary Accounts**

##### **(a) Authorization and Approval Required**

No OEF shall exercise any discretionary power with respect to trading in options contracts in a Public Customer's account unless such Public Customer has given prior written authorization and the account has been accepted in writing by an Options Principal.

(1) Each participant shall designate specific Options Principals to review discretionary accounts. An Options Principal other than the Options Principal who accepted the account shall review the acceptance of each discretionary account to determine that the Options Principal accepting the account had a reasonable basis for believing that the Public Customer was able to understand and bear the risks of the strategies or transactions proposed, and the reviewing Options Principal shall maintain a record of the basis for his determination.

(2) Every discretionary order shall be identified as discretionary on the order at the time of its entry into IEX Options market. Discretionary accounts shall receive frequent appropriate supervisory review by an Options Principal who is not exercising the discretionary authority.

##### **(b) Record of Transactions.**

A record shall be made of every options transaction for an account with respect to which an OEF is vested with any discretionary power, such record to include the name of the Public Customer, options class and series, number of contracts, premium, and date and time when such transaction took place.

##### **(c) Excessive Transactions Prohibited.**

No OEF shall effect with or for any Public Customer's account with respect to which such Options Member is vested with any discretionary power any transactions of purchase or sale of options contracts that are excessive in size or frequency in view of the financial resources and character of such account.

##### **(d) Options Programs.**

Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the Public Customer shall be furnished with a written explanation of the nature and risks of such programs.

(e) Discretion as to Price or Time Excepted.

This Rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of options contracts in a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. Any exercise of time and price discretion must be reflected on the order ticket.

(f) Any participant that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Options Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

**Rule 27.150. Confirmation of Public Orders**

- (a) Every OEF shall promptly furnish to each Public Customer a written confirmation of each transaction in options contracts that shows the underlying security, type of options, expiration month, exercise price, number of options contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale and whether a principal or agency transaction.
- (b) The confirmation shall, by appropriate symbols, distinguish between IEX Options transactions and other transactions in options contracts though such confirmation does not need to specify the exchange or exchanges on which such options contracts were executed.

**Rule 27.160. Statement of Accounts to Public Customers**

- (a) Every OEF shall send to its Public Customers a statement of account showing security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations.

- (b) With respect to options Public Customers having a general (margin) account, the Public Customer statement shall also provide the mark-to-market price and market value of each options position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. For purposes of this paragraph (b), general (margin) account equity shall be computed by subtracting the total of the short security values and any debit balance from the total of the long security values and any credit balance.
- (c) The Public Customer statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed options transactions has been included in confirmations of such transactions previously furnished to the Public Customer, and that such information will be made available to the Public Customer promptly upon request.
- (d) Public Customer statements shall bear a legend requesting that the Public Customer promptly advise the Options Member of any material change in the Public Customer's investment objectives or financial situation.
- (e) Public Customer statements shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

#### **Rule 27.170. Statements of Financial Condition to Public Customers**

Every OEF shall send to each of its Public Customers statements of the Options Member's financial condition as required by SEC Rule 17a-5 under the Exchange Act.

#### **Rule 27.180. Statement of Accounts to Public Customers**

No OEF shall address any communications to a Public Customer in care of any other person unless either: (a) the Public Customer, within the preceding twelve (12) months, has instructed the OEF in writing to send communications in care of such other persons, or (b) duplicate copies are sent to the Public Customer at some other address designated in writing by him.

#### **Rule 27.190. Delivery of Current Options Disclosure Documents and Prospectus**

##### (a) Options Disclosure Documents.

Every OEF shall deliver a current options disclosure document issued by the OCC to each customer at or prior to the time such customer's account is approved for options transactions. Where a customer is a

broker or dealer, the OEF shall take reasonable steps to assure that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by the broker or dealer, to enable it to comply with the requirements of this Rule.

(1) The term “current options disclosure document” means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Exchange Act.

(2) A copy of each amendment to an options disclosure document shall be furnished to each customer who was previously furnished the options disclosure document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer. The Exchange will advise OEFs when an options disclosure document is amended.

(b) The written description of risks required by this Rule shall be in a format prescribed by the Exchange or in a format developed by the Options Member, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

(c) Below is a sample risk description for use by OEFs to satisfy the requirements of paragraph (b) of this Rule:

*Special Statement for Uncovered Options Writers.*

There are special risks associated with uncovered options writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all Public Customers approved for options transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.
2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.
3. Uncovered options writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has

sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement.

4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an options writer would remain obligated until expiration or assignment.
6. The writer of an American-Style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period. NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

#### **Rule 27.200 Restrictions on Pledge and Lending of Public Customers' Securities**

- (a) No OEF shall lend, either to itself or to others, securities carried for the account of any Public Customer, unless such OEF shall first have obtained a separate written authorization from such Public Customer permitting the lending of the securities.
- (b) Regardless of any agreement between an OEF and a Public Customer authorizing the OEF to lend or pledge such securities, no OEF shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the Public Customer to such OEF, except such lending as may be specifically authorized under paragraph (c) of this Rule.
- (c) No OEF shall lend securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be loaned in view of the indebtedness of the Public Customer, unless such OEF first obtains from such Public Customer a separate written authorization designating the particular securities to be loaned.
- (d) No OEF shall hold securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be pledged in view of the indebtedness of the Public

Customer, unless such securities are segregated and identified by a method that clearly indicates the interest of such Public Customer in those securities.

#### **Rule 27.210 Transactions of Certain Public Customers**

- (a) No OEF shall execute any transaction in securities or carry a position in any security in which:
- (1) an officer or employee of the Exchange or any national securities exchange that is a participant of the Clearing Corporation, or an officer or employee of a corporation in which the Exchange, or such other exchange, owns the majority of the capital stock, is directly or indirectly interested, without the prior written consent of the Exchange; or
  - (2) a partner, officer, director, principal shareholder or employee of another OEF is directly or indirectly interested, without the consent of such other OEF.
- (b) Where the required consent has been granted, duplicate reports of the transaction and position shall promptly be sent to the Exchange or OEF, as the case may be.

#### **Rule 27.220 Guarantees**

No OEF shall guarantee a Public Customer against loss in his account or in any transaction effected with or for such Public Customer.

#### **Rule 27.230 Profit Sharing**

- (a) No OEF or person associated with an OEF shall share directly or indirectly in the profits or losses in any Public Customer's account, whether carried by such OEF or any other OEF unless the person associated with an OEF obtains prior written consent from the OEF employing such person and such OEF or person associated with an OEF obtains prior written consent from the Public Customer.
- (b) Where such consent is obtained, the OEF, person associated with an OEF or Options Principal shall share in the profits or losses in such account only in direct proportion to the financial contribution made to the account by such person.

#### **Rule 27.240 Assuming Losses**

No OEF shall assume for its own account any position established for a Public Customer in a security traded on the Exchange after a loss to the Public Customer has been established or ascertained, unless the position was created by the OEF's mistake or unless approval of the Exchange has first been obtained.

**Rule 27.250 Communications with Public Customers**

Options Members and associated persons of Options Members shall be bound to comply with the Communications with Public Customers rule of FINRA, as applicable, as though said rules were part of these Rules.

**Rule 27.260 Public Customer Complaints**

- (a) Every OEF conducting a non-Options Member Public Customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved.
- (b) The term “options-related complaint” shall mean any written statement by a Public Customer or person acting on behalf of a Public Customer alleging a grievance arising out of or in connection with listed options.
- (c) The central file shall be located at the principal place of business of the Options Member or such other principal office as shall be designated by the OEF.
- (1) Each options-related complaint received by a branch office of an OEF shall be forwarded to the office in which the separate, central file is located not later than thirty (30) days after receipt by the branch office.
- (2) A copy of every options-related complaint shall be maintained at the branch office that is the subject of a complaint.
- (d) At a minimum, the central file shall include:
- (1) identification of complainant;
- (2) date complaint was received;
- (3) identification of the representative servicing the account, if applicable;
- (4) a general description of the subject of the complaint; and
- (5) a record of what action, if any, has been taken by the Options Member with respect to the complaint.

**CHAPTER 28. OPTIONS ORDER PROTECTION AND LOCKED AND CROSSED MARKET RULES**

**Rule 28.100. Definitions**

(a) The following terms shall have the meaning specified in this Rule solely for the purpose of this Chapter 28:

- (1) “Best Bid” and “Best Offer” mean the highest priced Bid and the lowest priced Offer.
- (2) “Bid” or “Offer” means the bid price or the offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.
- (3) “Broker/Dealer” means an individual or organization registered with the SEC in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.
- (4) “Complex Trade” means: (i) the execution of an order in an options series in conjunction with the execution of one or more related order(s) in different options series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy; or (ii) the execution of a stock option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight (8) options contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.
- (5) “Crossed Market” means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.
- (6) “Customer” means an individual or organization that is not a Broker/Dealer.
- (7) “Eligible Exchange” means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC bylaws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange chooses not to become a party to this Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market

protection.

- (8) “Eligible Options Class” means all options series overlying a security (as that term is defined in Section 3(a)(10) of the Exchange Act) or group of securities, including both put options and call options, which class is available for trading on two or more Eligible Exchanges.
- (9) “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (10) “Intermarket Sweep Order (ISO)” means a Limit order for an options series that meets the following requirements:
  - (A) When routed to an Eligible Exchange, the order is identified as an ISO;
  - (B) Simultaneously with the routing of the order, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a Limit order to sell, or any Protected Offer, in the case of a Limit order to buy, for the options series with a price that is superior to the limit price of the ISO, with such additional orders also marked as ISOs.
- (11) “Locked Market” means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.
- (12) “NBBO” means the national best bid and offer in an options series as calculated by an Eligible Exchange.
- (13) “Non-Firm” means, with respect to quotations, that Members of an Eligible Exchange are relieved of their obligation to be firm for their quotations pursuant to Rule 602 under the Exchange Act.
- (14) “OCC” means The Options Clearing Corporation.
- (15) “OPRA” means the Options Price Reporting Authority.
- (16) “OPRA Plan” means the plan filed with the SEC pursuant to Section 11A(a)(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.
- (17) “Participant” means an Eligible Exchange whose participation in the Plan has become effective pursuant to Section 3(c) of the Plan.
- (18) “Plan” means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.

- (19) “Protected Bid” or “Protected Offer” means a Bid or Offer in an options series, respectively, that:
- (A) Is disseminated pursuant to the OPRA Plan; and
  - (B) Is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.
- (20) “Protected Quotation” means a Protected Bid or Protected Offer.
- (21) “Quotation” means a Bid or Offer.
- (22) “SEC” means the United States Securities and Exchange Commission.
- (23) “Trade-Through” means a transaction in an options series at a price that is lower than a Protected Bid or higher than a Protected Offer.

### **Rule 28.110 Order Protection**

- (a) Avoidance of Trade-Throughs. Except as provided in paragraph (b) below, Options Members shall not effect Trade-Throughs.
- (b) Exceptions to Trade-Through Liability. The provisions of paragraph (a) pertaining to the satisfaction of Trade-Throughs shall not apply under the following circumstances:
- (1) If an Eligible Exchange repeatedly fails to respond within one (1) second to incoming orders attempting to access its Protected Quotations, the Exchange may bypass those Protected Quotations by:
    - (A) Notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and
    - (B) Assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass Protected Quotations of an Eligible Exchange is made pursuant to this sub-paragraph, the Exchange must promptly document the reasons supporting such determination.
  - (2) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;
  - (3) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;

- (4) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO;
- (5) The transaction that constitutes the Trade-Through is effected by the Exchange while simultaneously routing an ISO to execute against the full displayed size of any better priced Protected Quotation;
- (6) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one (1) second prior to execution of the Trade-Through, a Best bid or Best offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;
- (7) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;
- (8) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;
- (9) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, an Options Member had guaranteed an execution at no worse than a specified price (a “stopped order”), where:
- (A) the stopped order was for the account of a Customer;
  - (B) the Customer agreed to the specified price on an order-by-order basis; and
  - (C) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;
- (10) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or
- (11) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

.01 Notwithstanding the exceptions set forth above, in the event of a Crossed Market, unless an order is marked ISO, the Exchange will not execute any portion of a bid at a price more than the greater of 5 cents or 0.5 percent higher than the lowest Protected Offer or any portion of an offer that would execute at a price more than the greater of 5 cents or 0.5 percent lower than the highest Protected Bid. Upon instruction from a User, the Exchange will cancel any incoming order from such User in the event of a Crossed Market.

.02 To the extent an incoming order is executable because a Protected Bid is crossing a Protected Offer as set forth in paragraph (b)(3) of this Rule but such incoming order is eligible for routing and there is a Protected Bid or Protected Offer available at another options exchange that is better priced than the bid or offer against which the order would execute on the Exchange, the Exchange will first seek to route the order to such better priced quotation pursuant to Rule 22.180.

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### **Rule 28.120 Locked and Crossed Markets**

(a) Prohibition. Except for quotations that fall within the provisions of paragraph (b) of this Rule, Options Members shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation.

(b) Exceptions.

(1) The locking or crossing quotation was displayed at a time when the Exchange was experiencing a failure, material delay, or malfunction of its systems or equipment;

(2) The locking or crossing quotation was displayed at a time when there is a Crossed Market;

(3) The Options Member simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer; or

(4) With respect to a locking quotation, the order entered on the Exchange that will lock a Protected Bid or Protected Offer, is:

(A) not a Customer order, and the Exchange can determine via identification available pursuant to the OPRA Plan that such Protected Bid or Protected Offer does not represent, in whole or in part, a Customer order; or

(B) a Customer order, and the Exchange can determine via identification available pursuant to the OPRA Plan that such Protected Bid or Protected Offer does not represent, in whole or in part, a Customer order, and, on a case-by-case basis, the Customer

specifically authorizes the Options Member to lock such Protected Bid or Protected Offer.

## **CHAPTER 29. MARGIN REQUIREMENTS**

### **Rule 29.100 General Rule**

No Options Member or associated person may effect a transaction or carry an account for a Customer, whether an Options Member or non-Options Member of IEX Options, without proper and adequate margin in accordance with this Chapter 29 and Regulation T.

### **Rule 29.110. Time Margin Must be Obtained**

The amount of margin required by this Chapter 29 shall be obtained as promptly as possible and in any event within a reasonable time.

### **Rule 29.120. Margin Requirements**

- (a) An Options Member or associated person must be bound by the initial and maintenance margin requirements of either the Cboe Exchange, Inc. (“Cboe Options”) or the New York Stock Exchange (“NYSE”) as the same may be in effect from time to time.
- (b) Such election shall be made in writing by a notice filed with the Exchange.
- (c) Upon the filing of such election, an Options Member or associated person shall be bound to comply with the margin rules of the Cboe Options or the NYSE, as applicable, as though said rules were part of these Rules.

### **Rule 29.130. Margin Required is Minimum**

- (a) The amount of margin prescribed by these Rules is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby, but nothing in these Rules shall be construed to prevent an Options Member or associated person from requiring margin in an amount greater than that specified.
- (b) IEX Options may at any time impose higher margin requirements with respect to such positions when it deems such higher margin requirements to be advisable.

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