

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78482; File No. SR-IEX-2016-06)

August 5, 2016

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 11.270(c) Concerning Clearly Erroneous Executions

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on July 28, 2016, the Investors Exchange LLC (“IEX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),⁴ and Rule 19b-4 thereunder,⁵ Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to correct the chart in Rule 11.270(c), which sets forth the numerical guidelines for determining if a transaction that is the subject of a complaint shall be found to be clearly erroneous, to specify such guidelines for leveraged exchange traded funds (“ETF”) and exchange traded notes (“ETN”). The Exchange has designated this rule change as “non-controversial” under Section

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(1).

⁵ 17 CFR 240.19b-4.

19(b)(3)(A) of the Act⁶ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁷

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

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

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

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

1. Purpose

The purpose of this proposed rule filing is to correct the chart in Rule 11.270(c), which sets forth the numerical guidelines for determining if a transaction that is the subject of a complaint shall be found to be clearly erroneous, to specify such guidelines for leveraged ETFs and ETNs. Due to an oversight, the last line of the chart, entitled "Leveraged ETF/ETN" does not contain all necessary language with respect to the applicable numerical guidelines.

Accordingly, IEX proposes to amend the chart so that the last line provides that the numerical

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4.

guidelines during regular market hours, as well as the Pre-Market Session and Post-Market Session, shall be the “Regular Market Hours Numerical Guidelines multiplied by the leverage multiplier (i.e., 2x).”

The Exchange notes that Rule 11.270 is substantially identical to Bats BZX Exchange, Inc. f/k/a BATS Exchange, Inc. (“BZX”) Rule 11.17, which in turn is substantially identical to corresponding rules of the other U.S. securities exchanges that trade equities securities and of the Financial Industry Regulatory Authority, Inc. (“FINRA”).⁸ Accordingly, the Exchange believes that it is appropriate to amend Rule 11.270(c) to correct the chart contained therein.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)⁹ of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁰ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes it is appropriate to make the correction to the chart in Rule 11.270(c) so that the correct guideline is used in its rules. Additionally, the correction will create consistency with the rules of other equities exchanges and eliminate confusion in its rules. In this regard, FINRA and the equities exchanges have adopted substantially identical rules relating to clearly erroneous transactions to provide consistency in the handling of such transactions. As noted above, the proposed correction will assure that Rule 11.270 is substantially identical to, and consistent with, the rules relating to clearly erroneous

⁸ See, e.g., BZX Rule 11.17.

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(5).

transactions of FINRA and the other equities exchanges.¹¹ The Exchange believes that it is appropriate to make the specified correction to alleviate any confusion among market participants.

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

IEX does not believe that the proposed rule change will result in any burden on competition because IEX is merely correcting its rule to correct an inadvertent omission of necessary text.

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

Written comments were neither solicited nor received.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A)¹² of the Act and Rule 19b-4(f)(6)¹³ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.¹⁴ The Exchange notes that its proposal corrects an inadvertent omission and has asked the Commission to waive

¹¹ See supra note 8 and accompanying text.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ 15 U.S.C. 78s(b)(3)(A) and 17 CFR 240.19b-4(f)(6), respectively. In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

the 30-day operative delay, making this proposal operative upon filing. As noted above, IEX's proposal adds rule text to IEX Rule 11.270(c) that IEX inadvertently omitted, which conforms IEX's rule to the substantially identical BZX rule. As this proposal will correct the error in IEX's rule, it should alleviate any potential confusion among market participants. For this reason, the Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest and waiver will allow IEX to update its rule without undue delay. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.¹⁵

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-IEX-2016-06 on the subject line.

¹⁵ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

Paper Comments:

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

All submissions should refer to File Number SR-IEEX-2016-06. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR-IEX-2016-06, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Jill M. Peterson
Assistant Secretary

¹⁶ 17 CFR 200.30-3(a)(12).