

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83634; File No. SR-IEX-2018-15)

July 13, 2018

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Discontinue the Router Basic Routing Option

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 10, 2018, the Investors Exchange LLC (“IEX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),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 amend Rule 11.230(c) (Routing Options) to discontinue the Router Basic routing option and delete references thereto. The Exchange has designated this rule change as “non-controversial” under

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 CRF 240.19b-4.

Section 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 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 change is to amend Rule 11.230(c) (Routing Options) to delete references to the Router Basic routing option. The Exchange currently offers two routing options - Router and Router Basic – which may be elected by a User upon entry of an order eligible for routing to the Exchange.⁸ The Exchange proposes to discontinue the Router Basic option.

Rule 11.230(c)(1) describes the Exchange's Router Basic routing option under which the

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4.

⁸ See standard FIX tag 18 (ExecInst) in the [Investors Exchange FIX Specification](#), available on the Exchange's public website.

System⁹ sends routable orders to market centers on the Exchange’s proprietary System routing table.¹⁰ If shares remain unexecuted after routing, they are posted on the Order Book or canceled, as per User instructions. Once posted to the Order Book, the unexecuted portion of such an order is eligible for the re-sweep behavior described in Rule 11.230(c)(3), market conditions permitting.

Furthermore, Rule 11.230(c)(2) describes the Exchange’s Router routing option under which the System sends routable orders to the Order Book to check for available shares and then any remainder is sent to market centers on the Exchange’s proprietary System routing table. If shares remain unexecuted after routing, they are posted on the Order Book or canceled, as per User instructions. Once posted to the Order Book, the unexecuted portion of such an order is eligible for the re-sweep behavior described in Rule 11.230(c)(3), market conditions permitting.

The Exchange evaluates its product and service offerings on an ongoing basis to identify opportunities for enhancement and simplification. After several internal analyses, the Exchange has identified that relatively fewer Users elect Router Basic in comparison to the Exchange’s Router option.¹¹ Accordingly, the Exchange has determined to simplify the routing options offered by the Exchange by discontinuing the Router Basic option, considering the current demand for Router Basic does not warrant the infrastructure and ongoing maintenance expenses required to support the product. Users seeking to route orders to market centers on the System

⁹ See Rule 1.160(nn).

¹⁰ See Rule 11.230(c). The term “System routing table” refers to the proprietary process for determining the specific trading venues, including the Order Book, to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice.

¹¹ For example, during the first quarter of 2018, over two thirds of routable orders entered on the Exchange were entered under the Router option, instead of Router Basic.

routing table via the Exchange will continue to be able to do so using the Router option. Furthermore, use of the Exchange's router will continue to be optional and Users may access liquidity on away market centers using alternative methods, such as connecting to those exchanges directly or through a third-party service provider.

In conjunction with the proposed discontinuation of Router Basic, the Exchange proposes to reserve paragraph (1) of Rule 11.230(c). The Exchange intends to implement the proposed rule change on the operative date of this filing.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with Section 6(b) of the Act in general,¹² and further the objectives of Section 6(b)(5) of the Act,¹³ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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.

As discussed in the Purpose section, the proposed rule change is designed to simplify the Exchange's routing options, which the Exchange believes is consistent with the protection of investors and the public interest. Furthermore, the Exchange believes the proposed changes are consistent with the protection of investors and the public interest in that, as described above, the Exchange has relatively few Users electing Router Basic. Accordingly, the Exchange has determined to simplify the routing options offered by the Exchange by discontinuing the Router

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(5).

Basic option, considering the current demand for Router Basic does not warrant the infrastructure and ongoing maintenance expenses required to support the product. Routing through the Exchange is voluntary, and an alternative routing option offered by the Exchange as well as other methods remain available to Users that wish to route to market centers on the System routing table. In addition, the Router Basic routing option is not a core product offering of the Exchange, nor is the Exchange required by the Act to offer such product. Therefore, the Exchange believes the proposed rule change would simplify the Exchange's routing options, and make its rules clearer and less confusing for investors by removing a routing option that will no longer be offered by the Exchange, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest. Lastly, the Exchange does not believe that this proposal will permit unfair discrimination among customers, brokers, or dealers because the Router Basic routing option will no longer be available to any Users of the Exchange.

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

The Exchange does not believe that the proposal will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any competitive issues but rather simplify the Exchange's routing options, and eliminate the infrastructure and ongoing maintenance expenses to support a product that Members use relatively less.

Furthermore, the Exchange believes the proposed rule change does not impose any burden on intra-market competition not necessary or appropriate in furtherance of the purposes of the Act because, as described above, the Router Basic routing option will no longer be available to any Users of the Exchange, and thus all Users will be impacted in the

same manner. Further, Users seeking to route orders to market centers on the System routing table will continue to be able to do so using the Router option or may access liquidity on away market centers using alternative methods, such as connecting to those exchanges directly or through a third-party service provider.

The Exchange also does not believe that the proposed rule change would impose a burden on inter-market competition since other exchanges are free to adopt comparable routing options.

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

Written comments were neither solicited nor received.

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

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

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹⁶ of the Act to determine

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 15 U.S.C. 78s(b)(2)(B).

whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-IEX-2018-15 on the subject line.

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-IEX-2018-15. 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 this filing will also be available for inspection and copying at the

principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-IEX-2018-15 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.¹⁷

Eduardo A. Aleman
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).