

Required fields are shown with yellow backgrounds and asterisks.

Filing by Investors' Exchange LLC  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposed Rule Change to Increase the Spread-Crossing Eligible Remove Fee to \$0.0009 per share for Executions at or Above \$1.00 that Remove Non-Displayed Liquidity.

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * <input type="text" value="Andres J."/>	Last Name * <input type="text" value="Trujillo"/>
Title * <input type="text" value="Regulation Counsel"/>	
E-mail * <input type="text" value="andres.trujillo@iextrading.com"/>	
Telephone * <input type="text" value="(646) 343-2034"/>	Fax <input type="text"/>

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date <input type="text" value="07/27/2018"/>	Chief Regulatory Officer
By <input type="text" value="Claudia Crowley"/>	<input type="text"/>
(Name *)	

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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

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

Add Remove View

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to increase the Spread-Crossing Eligible Remove Fee to \$0.0009 per share for executions at or above \$1.00 that remove non-displayed liquidity. Changes to the Fee Schedule pursuant to this proposal are effective upon filing and will be operative on August 1, 2018.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

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

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

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Claudia Crowley  
Chief Regulatory Officer  
Investors Exchange LLC  
646-343-2041

Andres J. Trujillo  
Regulation Counsel  
Investors Exchange LLC  
646-343-2034

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

(a) Purpose

The Exchange proposes to modify its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to increase the Spread-Crossing Eligible Remove Fee to \$0.0009 per share for executions at or above \$1.00. The proposed change eliminates the pricing incentive for removing non-displayed liquidity at or above \$1.00 with a spread-crossing eligible order, as such execution will be subject to a fee of \$0.0009. On May 1, 2018, the Exchange filed an immediately effective rule filing to introduce a more deterministic fee of \$0.0003 per share for executions at or above \$1.00 that result from removing liquidity with an order that is executable at the far side of the NBBO after accounting for the order's limit (if any), peg instruction (if any), market conditions, and all applicable rules and regulations (the "Spread-Crossing Eligible Remove Fee" incentive).<sup>3</sup>

As discussed in the rule filing to adopt the Spread-Crossing Eligible Remove Fee,<sup>4</sup> the intended purpose of the fee was to incentivize Members to route more orders to the Exchange that are executable at the far side of the NBBO by reducing the variability

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<sup>3</sup> See Securities Exchange Act Release No. 83147 (May 1, 2018), 83 FR 20118 (May 7, 2018) (SR-IEX-2018-9).

<sup>4</sup> Id.

in fees to access liquidity on the Exchange. However, the Exchange has observed over time that the Spread-Crossing Eligible Remove Fee incentive has not served its intended purposes. Specifically, the Exchange has not seen any notable increase in spread-crossing orders<sup>5</sup> entered on the Exchange since the operative date of the Spread-Crossing Eligible Remove Fee incentive on May 1, 2018. In fact, the average monthly percentage of the Exchange's volume represented by executions resulting from spread-crossing orders decreased from 22.8% in May, to 21.6% in June of 2018. Accordingly, the Exchange is proposing to eliminate the Spread-Crossing Eligible Remove Fee incentive for interacting with resting non-displayed interest by increasing the fee to \$0.0009.<sup>6</sup>

As a result of the proposed change, the following fees will be increasing to \$0.0009 from \$0.0003 for executions at or above \$1.00 that result from removing non-displayed liquidity with a spread-crossing eligible order. All other fees shall remain unchanged.

<b>Fee Codes</b>	<b>Description</b>	<b>Fee</b>
IN	Removes non-displayed liquidity with a spread-crossing eligible order	\$0.0009
IQN	Removes non-displayed liquidity during	\$0.0009 <sup>7</sup>

<sup>5</sup> The Exchange defines "spread-crossing eligible order" as a buy order that is executable at the NBO or a sell order that is executable at the NBB after accounting for the order's limit (if any), peg instruction (if any), market conditions, and all applicable rules and regulations. See the [Investors Exchange Fee Schedule](#), available on the Exchange public website.

<sup>6</sup> Consistent with the Exchange's existing Fee Schedule, the fee for executions below \$1.00 will be 0.30% of the total dollar value of the transaction.

<sup>7</sup> The Exchange notes that, consistent with the existing Fee Schedule, executions with Fee Code Q that exceed the CQRF Threshold are subject to the Crumbling Quote Remove Fee identified in the Fee Code Modifiers table. Executions with Fee Code Q that do not exceed the CQRF Threshold are subject to the fees identified in the Fee Codes and Associated Fees table. See the [Investors Exchange Fee Schedule](#), available on the Exchange public website.

	periods of quote instability with a spread-crossing eligible order	
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(b) Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)<sup>8</sup> of the Act in general, and furthers the objectives of Sections 6(b)(4)<sup>9</sup> of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange believes that the proposed fee change is reasonable, fair and equitable, and non-discriminatory. The Exchange believes the proposal to eliminate the Spread-Crossing Eligible Remove Fee incentive is reasonable because, as discussed above, the fee incentive has not been successful in achieving its intended purpose of incentivizing Members to route more orders to the Exchange that are executable at the far side of the NBBO. The Exchange has limited resources available to it to devote to the operation of pricing incentives and as such, it is reasonable and equitable for the Exchange to reallocate those resources away from programs that are ineffective. The proposed change is also equitable and not unfairly discriminatory because the Spread-Crossing Eligible Remove Fee incentive for executions against resting non-displayed interest will be eliminated for all Members, as the increased fee will be charged to all Members that remove non-displayed liquidity with a spread-crossing eligible order.

The Exchange notes that as proposed, spread-crossing orders that remove displayed liquidity will be charged a lower fee than if such orders had removed non-displayed liquidity. However, the Exchange believes the proposal remains reasonable,

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<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(4).

equitable, and not unfairly discriminatory because spread-crossing orders may interact with non-displayed interest resting within the spread, thereby receiving price improvement equal to the delta between the execution price and the far side quotation (i.e., the difference between the trade price and the NBO (NBB) for buy (sell) orders). Accordingly, the Exchange believes that spread-crossing orders removing non-displayed liquidity receive a significant benefit in the form of potential price improvement, and are thus not subject to unfairly discriminatory fees.

Moreover, the Exchange notes that the proposed fee for spread-crossing eligible orders that remove liquidity is identical to the fee assessed by the Exchange prior to the introduction of the Spread-Crossing Eligible Remove Fee, pursuant to the IEX Fee Schedule that was filed with the Commission pursuant to the Act.<sup>10</sup> Thus, the Exchange believe the proposed change does not present any unique or novel issues under the Act that have not already been considered by the Commission.

The Exchange further believes the proposed increase in the Spread-Crossing Remove Fee to \$0.0009 from \$0.0003 is reasonable in that is within the range of transaction fees currently charged by the Exchange,<sup>11</sup> and continues to be substantially lower than the fee for removing liquidity on competing exchanges with a “maker-taker” fee structure (i.e., that provide a rebate to liquidity adders and charge liquidity

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<sup>10</sup> See Securities Exchange Act Release No. 80453 (April 13, 2017), 82 FR 18503 (April 19, 2017)(SR-IEX-2016-09).

<sup>11</sup> For example, the proposed Spread-Crossing Remove Fee is equal to the Non-Displayed Match Fee. See the [Investors Exchange Fee Schedule](#), available on the Exchange public website.

removers).<sup>12</sup>

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. With regard to intra-market competition, the Exchange notes that the increased fee will be charged to all Members that remove non-displayed liquidity with a spread-crossing eligible order, and thus there will be no competitive burdens placed on Members as a result of the proposed change. With regard to inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and alternative trading systems. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Moreover, trading venues are free to adjust their fees and credits in response to

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<sup>12</sup> See e.g., the New York Stock Exchange ("NYSE") trading fee schedule on its public website reflects fees to "take" liquidity ranging from \$0.0024 - \$0.0030 depending on the type of market participant, order and execution; the Nasdaq Stock Market ("Nasdaq") trading fee schedule on its public website reflects fees to "remove" liquidity ranging from \$0.0025-\$0.0030 per share for shares executed in continuous trading at or above \$1.00 or 0.30% of total dollar volume for shares executed below \$1.00; the Cboe BZX Exchange ("Cboe BZX") trading fee schedule on its public website reflects fees for "removing" liquidity ranging from \$0.0025-\$0.0030, for shares executed in continuous trading at or above \$1.00 or 0.30% of total dollar volume for shares executed below \$1.00.

any changes that the Exchange makes to its fees and credits. If any of the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>13</sup> IEX has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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) of the Act to determine whether the proposed rule change should be

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

approved or disapproved.<sup>14</sup>

8. Proposed Rule Change Based on the Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3 C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of the Proposed Rule Change for Publication in the Federal Register.

Exhibit 5 – Text of Proposed Rule Change.

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<sup>14</sup> 15 U.S.C. 78s(b)(2)(B).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34 -     ); File No. SR-IEX-2018-17)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Increase the Spread-Crossing Eligible Remove Fee to \$0.0009 per share for Executions at or Above \$1.00 that Remove Non-Displayed Liquidity.

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

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

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),<sup>4</sup> and Rule 19b-4 thereunder,<sup>5</sup> Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to increase the Spread-Crossing Eligible Remove Fee to \$0.0009 per share for executions

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

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

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

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

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

at or above \$1.00 that remove non-displayed liquidity. Changes to the Fee Schedule pursuant to this proposal are effective upon filing and will be operative on August 1, 2018.

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

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

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

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

1. Purpose

The Exchange proposes to modify its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to increase the Spread-Crossing Eligible Remove Fee to \$0.0009 per share for executions at or above \$1.00. The proposed change eliminates the pricing incentive for removing non-displayed liquidity at or above \$1.00 with a spread-crossing eligible order, as such execution will be subject to a fee of \$0.0009. On May 1, 2018, the Exchange filed an immediately effective rule filing to introduce a more deterministic fee of \$0.0003 per share for executions at or above \$1.00 that result from removing liquidity

with an order that is executable at the far side of the NBBO after accounting for the order's limit (if any), peg instruction (if any), market conditions, and all applicable rules and regulations (the "Spread-Crossing Eligible Remove Fee" incentive).<sup>6</sup>

As discussed in the rule filing to adopt the Spread-Crossing Eligible Remove Fee,<sup>7</sup> the intended purpose of the fee was to incentivize Members to route more orders to the Exchange that are executable at the far side of the NBBO by reducing the variability in fees to access liquidity on the Exchange. However, the Exchange has observed over time that the Spread-Crossing Eligible Remove Fee incentive has not served its intended purposes. Specifically, the Exchange has not seen any notable increase in spread-crossing orders<sup>8</sup> entered on the Exchange since the operative date of the Spread-Crossing Eligible Remove Fee incentive on May 1, 2018. In fact, the average monthly percentage of the Exchange's volume represented by executions resulting from spread-crossing orders decreased from 22.8% in May, to 21.6% in June of 2018. Accordingly, the Exchange is proposing to eliminate the Spread-Crossing Eligible Remove Fee incentive for interacting with resting non-displayed interest by increasing the fee to \$0.0009.<sup>9</sup>

As a result of the proposed change, the following fees will be increasing to \$0.0009 from \$0.0003 for executions at or above \$1.00 that result from removing non-

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<sup>6</sup> See Securities Exchange Act Release No. 83147 (May 1, 2018), 83 FR 20118 (May 7, 2018) (SR-IEX-2018-9).

<sup>7</sup> *Id.*

<sup>8</sup> The Exchange defines "spread-crossing eligible order" as a buy order that is executable at the NBO or a sell order that is executable at the NBB after accounting for the order's limit (if any), peg instruction (if any), market conditions, and all applicable rules and regulations. See the [Investors Exchange Fee Schedule](#), available on the Exchange public website.

<sup>9</sup> Consistent with the Exchange's existing Fee Schedule, the fee for executions below \$1.00 will be 0.30% of the total dollar value of the transaction.

displayed liquidity with a spread-crossing eligible order. All other fees shall remain unchanged.

Fee Codes	Description	Fee
IN	Removes non-displayed liquidity with a spread-crossing eligible order	\$0.0009
IQN	Removes non-displayed liquidity during periods of quote instability with a spread-crossing eligible order	\$0.0009 <sup>10</sup>

## 2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)<sup>11</sup> of the Act in general, and furthers the objectives of Sections 6(b)(4)<sup>12</sup> of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange believes that the proposed fee change is reasonable, fair and equitable, and non-discriminatory. The Exchange believes the proposal to eliminate the Spread-Crossing Eligible Remove Fee incentive is reasonable because, as discussed above, the fee incentive has not been successful in achieving its intended purpose of incentivizing Members to route more orders to the Exchange that are executable at the far side of the NBBO. The Exchange has limited resources available to it to devote to the operation of pricing incentives and as such, it is reasonable and equitable for the

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<sup>10</sup> The Exchange notes that, consistent with the existing Fee Schedule, executions with Fee Code Q that exceed the CQRF Threshold are subject to the Crumbling Quote Remove Fee identified in the Fee Code Modifiers table. Executions with Fee Code Q that do not exceed the CQRF Threshold are subject to the fees identified in the Fee Codes and Associated Fees table. See the [Investors Exchange Fee Schedule](#), available on the Exchange public website.

<sup>11</sup> 15 U.S.C. 78f.

<sup>12</sup> 15 U.S.C. 78f(b)(4).

Exchange to reallocate those resources away from programs that are ineffective. The proposed change is also equitable and not unfairly discriminatory because the Spread-Crossing Eligible Remove Fee incentive for executions against resting non-displayed interest will be eliminated for all Members, as the increased fee will be charged to all Members that remove non-displayed liquidity with a spread-crossing eligible order.

The Exchange notes that as proposed, spread-crossing orders that remove displayed liquidity will be charged a lower fee than if such orders had removed non-displayed liquidity. However, the Exchange believes the proposal remains reasonable, equitable, and not unfairly discriminatory because spread-crossing orders may interact with non-displayed interest resting within the spread, thereby receiving price improvement equal to the delta between the execution price and the far side quotation (i.e., the difference between the trade price and the NBO (NBB) for buy (sell) orders). Accordingly, the Exchange believes that spread-crossing orders removing non-displayed liquidity receive a significant benefit in the form of potential price improvement, and are thus not subject to unfairly discriminatory fees.

Moreover, the Exchange notes that the proposed fee for spread-crossing eligible orders that remove liquidity is identical to the fee assessed by the Exchange prior to the introduction of the Spread-Crossing Eligible Remove Fee, pursuant to the IEX Fee Schedule that was filed with the Commission pursuant to the Act.<sup>13</sup> Thus, the Exchange believe the proposed change does not present any unique or novel issues under the Act that have not already been considered by the Commission.

The Exchange further believes the proposed increase in the Spread-Crossing

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<sup>13</sup> See Securities Exchange Act Release No. 80453 (April 13, 2017), 82 FR 18503 (April 19, 2017)(SR-IEX-2016-09).

Remove Fee to \$0.0009 from \$0.0003 is reasonable in that is within the range of transaction fees currently charged by the Exchange,<sup>14</sup> and continues to be substantially lower than the fee for removing liquidity on competing exchanges with a “maker-taker” fee structure (i.e., that provide a rebate to liquidity adders and charge liquidity removers).<sup>15</sup>

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. With regard to intra-market competition, the Exchange notes that the increased fee will be charged to all Members that remove non-displayed liquidity with a spread-crossing eligible order, and thus there will be no competitive burdens placed on Members as a result of the proposed change. With regard to inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and alternative trading systems. Because

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<sup>14</sup> For example, the proposed Spread-Crossing Remove Fee is equal to the Non-Displayed Match Fee. See the [Investors Exchange Fee Schedule](#), available on the Exchange public website.

<sup>15</sup> See e.g., the New York Stock Exchange (“NYSE”) trading fee schedule on its public website reflects fees to “take” liquidity ranging from \$0.0024 - \$0.0030 depending on the type of market participant, order and execution; the Nasdaq Stock Market (“Nasdaq”) trading fee schedule on its public website reflects fees to “remove” liquidity ranging from \$0.0025-\$0.0030 per share for shares executed in continuous trading at or above \$1.00 or 0.30% of total dollar volume for shares executed below \$1.00; the Cboe BZX Exchange (“Cboe BZX”) trading fee schedule on its public website reflects fees for “removing” liquidity ranging from \$0.0025-\$0.0030, for shares executed in continuous trading at or above \$1.00 or 0.30% of total dollar volume for shares executed below \$1.00.

competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Moreover, trading venues are free to adjust their fees and credits in response to any changes that the Exchange makes to its fees and credits. If any of the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii)<sup>16</sup> of the Act.

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

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

19(b)(2)(B)<sup>17</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-IEX-2018-17 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-IEX-2018-17. This file number should be included in the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed 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

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<sup>17</sup> 15 U.S.C. 78s(b)(2)(B).

from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying at the IEX's principal office and on its Internet website at [www.iextrading.com](http://www.iextrading.com). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-IEX-2018-17 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

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<sup>18</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 5 – Text of Proposed Rule Change

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

### Investors Exchange Fee Schedule

Effective August 1, 2018

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#### Transaction fees

- All fees identify cost per share executed unless otherwise specified.
- Footnotes provide further explanatory text or indicate variable rate changes, provided the conditions in the footnote are met.
- The rates listed in the Base Rates table apply unless a Member's transaction is assigned a Fee Code other than a Base Fee Code (an "Additional Fee Code"). If a Member's transaction is assigned an Additional Fee Code, the rates listed in the Fee Codes and Associated Fees table will apply.
- Executions below \$1.00 are assessed a fee of 0.30% of TDV unless the Fee Code Combination results in a FREE execution.
- The Exchange passes-through in full any fees charged by/rebates received from away venues ("Cost") to the Member and adds the IEX fee (i.e., a \$0.0001 charge per share).

#### Definitions

- "Fee Code" is identified on each execution report message from the Exchange in the Trade Liquidity Indicator (FIX tag 9730) field.
- "MPID" means a market participant identifier.
- "TDV" means the total dollar value of the execution calculated as the execution price multiplied by the number of shares executed in the transaction.
- "Quote instability" is defined in IEX Rule 11.190(g).
- "CQRF Threshold" means the Crumbling Quote Remove Fee Threshold. The threshold is equal to 5% of the sum of a Member's total monthly executions on IEX measured on a per logical port (i.e., session) per MPID basis.
- "Spread-crossing eligible order" means a buy order that is executable at the NBO or a sell order that is executable at the NBB after accounting for the order's limit (if any), peg instruction (if any), market conditions, and all applicable rules and regulations.

#### Base Rates:

Base Fee Codes	Description	Executions at or above \$1.00	Executions below \$1.00
I, X	Standard Match Fee	\$0.0009	0.30% of TDV
L	Reduced Match Fee	\$0.0003	0.30% of

			TDV
O, C, H, P	Auction Match Fee	\$0.0003	0.30% of TDV
Alpha	Routing and removing liquidity (all routing options)	Cost + \$0.0001	

**Fee Code Modifiers:**

Additional Fee Codes	Description	Fee
S	Internalization Fee: Member executes against resting liquidity provided by such Member	FREE
Q	Crumbling Quote Remove Fee: removes liquidity during periods of quote instability at or within the NBBO above the CQRF Threshold, measured on an MPID basis <sup>1</sup>	\$0.0030
N	Spread-Crossing Eligible Remove Fee: removes liquidity with a spread-crossing eligible order	\$0.000[3]9
D	Discounted Single-Price Cross Fee: displayed interest resting on the Continuous Book executes in a cross or auction	FREE

**Market Quality Incentive Programs:**

IEX Enhanced Market Maker ("IEMM Rates"): Unless an IEX Enhanced Market Maker ("IEMM") pursuant to Rule 11.160(a) otherwise qualifies for a lower rate, IEMMs will receive the following discounts for executions during continuous trading in securities priced at or above \$1.00. If a Member qualifies under both the Inside Tier and the Depth Tier, any earned Standard Match Fee Discount, Reduced Match Fee Discount, and Spread-Crossing Eligible Remove Fee Discount will be aggregated and applied to such Member's executions subject to the Standard Match Fee, Reduced Match Fee, or Spread-Crossing Eligible Remove Fee in securities priced at or above \$1.00, subject to the applicable Depth Tier aggregate monthly savings cap of \$20,000.00.

IEMM Tier	Standard Match Fee Discount	Reduced Match Fee Discount	Spread-Crossing Eligible Remove Fee Discount
Inside Tier	\$0.0001	\$0.0001	\$0.0001
Depth Tier	\$0.0001	\$0.0001	\$0.0001

**Fee Code Combinations and Associated Fees:**

Fee Codes	Description	Fee
I	Adds or removes non-displayed liquidity	\$0.0009
L	Adds or removes displayed liquidity	\$0.0003
IS	Member executes against resting non-displayed liquidity provided by such Member	FREE
IQ <sup>1</sup>	Removes non-displayed liquidity during periods of quote instability	\$0.0009
IN	Removes non-displayed liquidity with a spread-crossing eligible order	\$0.000[3]9
LS	Member executes against resting displayed liquidity provided by such Member	FREE

LQ <sup>1</sup>	Removes displayed liquidity during periods of quote instability	\$0.0003
LN	Removes displayed liquidity with a spread-crossing eligible order	\$0.0003
ISQ <sup>1</sup>	Member removes non-displayed liquidity provided by such Member during periods of quote instability	FREE
ISN	Member removes non-displayed liquidity provided by such Member with a spread-crossing eligible order	FREE
IQN <sup>1</sup>	Removes non-displayed liquidity during periods of quote instability with a spread-crossing eligible order	\$0.000[3]9
LSQ <sup>1</sup>	Member removes displayed liquidity provided by such Member during periods of quote instability	FREE
LSN	Member removes non-displayed liquidity provided by such Member with a spread-crossing eligible order	FREE
LQN <sup>1</sup>	Removes displayed liquidity during periods of quote instability with a spread-crossing eligible order	\$0.0003
ISQN <sup>1</sup>	Member removes non-displayed liquidity provided by such Member during periods of quote instability with a spread-crossing eligible order	FREE
LSQN <sup>1</sup>	Member removes non-displayed liquidity provided by such Member during periods of quote instability with a spread-crossing eligible order	FREE
X	Opening Process for Non-Listed Securities ("Opening Process")	\$0.0009
XD	Displayed interest resting on the Continuous Book executes in the Opening Process	FREE
O	Opening Auction, IEX-listed security	\$0.0003
OD	Displayed interest resting on the Continuous Book executes in the Opening Auction	FREE
C	Closing Auction, IEX-listed security	\$0.0003
CD	Displayed interest resting on the Continuous Book executes in the Closing Auction	FREE
H	Halt or Volatility Auction, IEX-listed security	\$0.0003
P	IPO Auction, IEX-listed security	\$0.0003

<sup>1</sup> Crumbling Quote Remove Fee: Executions with Fee Code Q that exceed the CQRF Threshold are subject to the Crumbling Quote Remove Fee identified in the Fee Code Modifiers table. Executions with Fee Code Q that do not exceed the CQRF Threshold are subject to the fees identified in the Fee Codes and Associated Fees table.