

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 * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" 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) * <input type="checkbox"/>	Section 806(e)(2) * <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 related to retention of jurisdiction over Members and persons associated with Members upon termination, revocation, or cancellation of membership or association thereof.

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 * Claudia	Last Name * Crowley
Title * Chief Regulatory Officer	
E-mail * claudia.crowley@iextrading.com	
Telephone * (646) 343-2041	Fax

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 12/16/2016	Chief Regulatory Officer
By Claudia Crowley	
(Name *)	

claudia.crowley@iextrading.com

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 EFFF website.

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 2.230, which is currently reserved, to specify the circumstances under which the Exchange retains disciplinary jurisdiction over a Member or persons associated with a Member upon termination, revocation, or cancellation of membership or association thereof. The Exchange has designated this proposal as “non-controversial” and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.³

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6)(iii).

Exchange's governing documents. Therefore, the Exchange's internal procedures with respect to the proposed rule change are complete.

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

Sophia Lee
General Counsel
Investors Exchange LLC
646-343-2040

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

a. Purpose

IEX proposes to amend Rule 2.230, which is currently reserved, to specify the circumstances under which the Exchange retains disciplinary jurisdiction over a Member or persons associated with a Member upon termination, revocation or cancellation of membership or association thereof. As a national securities exchange and self-regulatory organization ("SRO"), IEX is subject to several provisions of the Act with respect to rule enforcement and discipline of Members and persons associated with Members. First, Section 6(b)(1)⁴ of the Act requires the Exchange to enforce compliance by its members and persons associated with its members with applicable provisions of the Act, the rules and regulations thereunder and Exchange rules. In addition, Section 6(b)(6)⁵ of the Act requires that IEX rules must provide that its members and persons associated with its members shall be appropriately disciplined for such violations of applicable provisions of the Act, the rules and regulations thereunder and Exchange rules (*i.e.*, rule violations).

⁴ 15 U.S.C. 78f(b)(1).

⁵ 15 U.S.C. 78f(b)(6).

And finally, Section 6(b)(7)⁶ of the Act provides that IEX rules must provide a fair procedure for the disciplining of members and persons associated with members for rule violations.

In furtherance of these obligations, IEX has retained FINRA, pursuant to a regulatory services agreement (“RSA”) and subject to IEX oversight, to perform certain regulatory functions on behalf of IEX, including surveillance and examination of trading activity on IEX to identify rule violations, and related investigations of and disciplinary actions against IEX members and persons associated with members for any such rule violations. Investigations and disciplinary actions are conducted in accordance with Chapters 8 and 9 of the IEX Rules. Chapter 8 contains provisions related to investigations and sanctions, that require, among other things, that a Member, person associated with a Member or any other person subject to IEX’s jurisdiction provide information or testimony or permit an inspection and copying of books, records, or accounts to the Exchange upon request.⁷ Rule 8.310 provides for the imposition of sanctions,⁸ after compliance with Chapter 9 of IEX Rules, on a Member or person associated with a Member for rule violations, as well as for any neglect or refusal to comply with an order, direction, or decision issued under the IEX Rules. Chapter 9 of the IEX Rules contains the Code of Procedure and includes proceedings for, among other things, disciplining a Member or person associated with a Member.

IEX Rule 2.190 governs a member’s right to voluntarily terminate its IEX membership. The rule provides that a termination shall not take effect until 30 days after

⁶ 15 U.S.C. 78f(b)(7).

⁷ See Rule 8.210.

⁸ Specified sanctions include censure, fine, membership suspension or expulsion, cease and desist order, or other fitting sanction.

certain specified conditions have been satisfied, including: any Exchange investigation or disciplinary action brought against the Member has reached a final disposition and any examination by the Exchange of such Member is completed and all exceptions noted have been reasonably resolved.⁹ These provisions are designed to assure that FINRA, on IEX's behalf, can complete and resolve or finalize a pending regulatory matter involving a Member that is open at the time a Member seeks to terminate its membership and thus that a Member cannot terminate its membership to avoid a regulatory or disciplinary matter.

However, IEX Rule 2.190 does not fully address the possibility that FINRA, on behalf of the Exchange, may need to conduct an investigation and/or initiate a disciplinary action with respect to a former Member or person associated with a Member for rule violations that occurred prior to termination of membership or association thereof, but were not known to FINRA at that time. Accordingly, IEX proposes to amend Rule 2.230 to add a retention of jurisdiction provision. Specifically, Rule 2.230(a) would provide that an IEX Member whose membership is revoked, terminated or cancelled shall continue to be subject to the filing of a complaint under IEX rules based upon conduct which commenced prior to the effective date of the revocation, termination or cancellation. Any such complaint, however, shall be filed within two years after the effective date of revocation, termination or cancellation. Proposed Rule 2.230(b) applies to persons associated with a Member and provides that a person whose association with a Member has been revoked, terminated or cancelled and who is no longer associated with

⁹ Rule 2.190 provides that the Exchange Board may declare a resignation effective at an earlier time.

any Member shall continue to be subject to the filing of a complaint under IEX rules based upon conduct that commenced prior to the termination, revocation or cancellation or upon such person's failure, while subject to IEX's jurisdiction to provide information requested by IEX pursuant to IEX rules. Any such complaint must be filed within: two years after the effective date of termination of registration with IEX pursuant to Rule 2.160(r)(1), provided however that any amendment to a notice of termination filed pursuant to Rule 2.160(r)(2) that is filed within two years of the original notice that discloses that such person may have engaged in conduct actionable under any applicable statute, rule, or regulation shall operate to recommence the running of the two-year period under this subsection; two years after the effective date of revocation or cancellation of registration pursuant to IEX rules; or in the case of an unregistered person, two years after the date upon which such person ceased to be associated with the member. This proposed rule change is substantially similar to Article IV, Section 6 of the FINRA By-Laws with respect to members and Article V, Section 4 with respect to persons associated with a member.¹⁰

b. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹¹ in general and furthers the objectives of Section 6(b)(1)¹² of the Act in that it is designed to enable the Exchange to enforce compliance by its members and persons associated with its members with applicable provisions of the Act, the rules

¹⁰ There are minor differences related to terminology. In addition, provisions substantially similar to Article V, Section 4(b) of the FINRA By-Laws related to failure to comply with an arbitration award are contained in IEX Rule 9.554(a).

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b)(1).

and regulations thereunder and Exchange rules. In addition, the Exchange believes that the proposed rule change is consistent with Section 6(b)(6)¹³ of the Act in that it is designed to provide authority to the Exchange to appropriately discipline former members and persons associated with its members for such rule violations that occurred during membership or association with a member. Further, the Exchange believes that the proposed rule change is consistent with Section 6(b)(7)¹⁴ of the Act because it would support a fair procedure for the disciplining of members and persons associated with members for rule violations. Specifically, IEX believes that it is appropriate to retain jurisdiction over members and persons associated with members for a reasonable period of time for rule violations that occurred while the firm was a Member or an individual was associated with a member. IEX believes that two years is reasonable in that it provides adequate time for FINRA, on its behalf, to file a complaint without subjecting former members and persons formerly associated with members to an excessively long period of time to learn of a disciplinary matter. The Exchange notes that FINRA, New York Stock Exchange (“NYSE”) and the Nasdaq Stock Market LLC (“Nasdaq”) also provide a two-year retention of jurisdiction period.¹⁵

4. 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 that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed rule change is not designed to address any competitive issues

¹³ 15 U.S.C. 78f(b)(6).

¹⁴ 15 U.S.C. 78f(b)(7).

¹⁵ See Article IV, Section 6 of the FINRA By-Laws, NYSE Rule 8130, and Nasdaq Rule 1031(f).

but rather to provide for appropriate retention of jurisdiction of former members and persons associated with a member.

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)

The Exchange believes that this proposal qualifies for effectiveness on filing as a “non-controversial” rule change in accordance with Section 19(b)(3)(A) of the Act¹⁶ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁷

The Exchange asserts that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) by its terms, will not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate.

The Exchange believes that this filing is non-controversial because it raises no novel issues and is consistent with FINRA, NYSE and Nasdaq rules previously approved

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 C.F.R. 240.19b-4.

by the Commission. Accordingly, the Exchange believes that the proposed rule change is eligible for immediate effectiveness.¹⁸

The Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed rule change may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. Waiving the 30-day delay would permit the Exchange to implement the retention of jurisdiction provision immediately thereby resolving any potential gaps in its regulatory coverage.

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 approved or disapproved.¹⁹

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

The proposed rule change is based on Article IV, Section 6 and Article V, Section 4 of the FINRA By-Laws, NYSE Rule 8130, and Nasdaq Rule 1031(f).

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

Not applicable.

¹⁸ See Securities Exchange Act Release No. 58092 (July 3, 2008), 73 FR 40144 (July 11, 2008) (concerning 17 CFR 200 and 241).

¹⁹ 15 U.S.C. 78s(b)(2)(B).

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34 -); File No. SR-IEX-2016-22)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Retention of Jurisdiction Over Members and Persons Associated with Members Upon Termination, Revocation, or Cancellation of Membership or Association Thereof.

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 (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”),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 2.230, which is currently reserved, to specify the circumstances under which the Exchange retains disciplinary jurisdiction over a Member or persons associated with a Member upon termination, revocation, or cancellation of

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.

membership or association thereof. The Exchange has designated this proposal as “non-controversial” and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.⁶

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 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

IEX proposes to amend Rule 2.230, which is currently reserved, to specify the circumstances under which the Exchange retains disciplinary jurisdiction over a Member or persons associated with a Member upon termination, revocation or cancellation of membership or association thereof. As a national securities exchange and self-regulatory organization (“SRO”), IEX is subject to several provisions of the Act with respect to rule enforcement and discipline of Members and persons associated with Members. First,

⁶ 17 CFR 240.19b-4(f)(6)(iii).

Section 6(b)(1)⁷ of the Act requires the Exchange to enforce compliance by its members and persons associated with its members with applicable provisions of the Act, the rules and regulations thereunder and Exchange rules. In addition, Section 6(b)(6)⁸ of the Act requires that IEX rules must provide that its members and persons associated with its members shall be appropriately disciplined for such violations of applicable provisions of the Act, the rules and regulations thereunder and Exchange rules (i.e., rule violations). And finally, Section 6(b)(7)⁹ of the Act provides that IEX rules must provide a fair procedure for the disciplining of members and persons associated with members for rule violations.

In furtherance of these obligations, IEX has retained FINRA, pursuant to a regulatory services agreement (“RSA”) and subject to IEX oversight, to perform certain regulatory functions on behalf of IEX, including surveillance and examination of trading activity on IEX to identify rule violations, and related investigations of and disciplinary actions against IEX members and persons associated with members for any such rule violations. Investigations and disciplinary actions are conducted in accordance with Chapters 8 and 9 of the IEX Rules. Chapter 8 contains provisions related to investigations and sanctions, that require, among other things, that a Member, person associated with a Member or any other person subject to IEX’s jurisdiction provide information or testimony or permit an inspection and copying of books, records, or accounts to the Exchange upon request.¹⁰ Rule 8.310 provides for the imposition of

⁷ 15 U.S.C. 78f(b)(1).

⁸ 15 U.S.C. 78f(b)(6).

⁹ 15 U.S.C. 78f(b)(7).

¹⁰ See Rule 8.210.

sanctions,¹¹ after compliance with Chapter 9 of IEX Rules, on a Member or person associated with a Member for rule violations, as well as for any neglect or refusal to comply with an order, direction, or decision issued under the IEX Rules. Chapter 9 of the IEX Rules contains the Code of Procedure and includes proceedings for, among other things, disciplining a Member or person associated with a Member.

IEX Rule 2.190 governs a member's right to voluntarily terminate its IEX membership. The rule provides that a termination shall not take effect until 30 days after certain specified conditions have been satisfied, including: any Exchange investigation or disciplinary action brought against the Member has reached a final disposition and any examination by the Exchange of such Member is completed and all exceptions noted have been reasonably resolved.¹² These provisions are designed to assure that FINRA, on IEX's behalf, can complete and resolve or finalize a pending regulatory matter involving a Member that is open at the time a Member seeks to terminate its membership and thus that a Member cannot terminate its membership to avoid a regulatory or disciplinary matter.

However, IEX Rule 2.190 does not fully address the possibility that FINRA, on behalf of the Exchange, may need to conduct an investigation and/or initiate a disciplinary action with respect to a former Member or person associated with a Member for rule violations that occurred prior to termination of membership or association thereof, but were not known to FINRA at that time. Accordingly, IEX proposes to amend Rule 2.230 to add a retention of jurisdiction provision. Specifically, Rule 2.230(a) would

¹¹ Specified sanctions include censure, fine, membership suspension or expulsion, cease and desist order, or other fitting sanction.

¹² Rule 2.190 provides that the Exchange Board may declare a resignation effective at an earlier time.

provide that an IEX Member whose membership is revoked, terminated or cancelled shall continue to be subject to the filing of a complaint under IEX rules based upon conduct which commenced prior to the effective date of the revocation, termination or cancellation. Any such complaint, however, shall be filed within two years after the effective date of revocation, termination or cancellation. Proposed Rule 2.230(b) applies to persons associated with a Member and provides that a person whose association with a Member has been revoked, terminated or cancelled and who is no longer associated with any Member shall continue to be subject to the filing of a complaint under IEX rules based upon conduct that commenced prior to the termination, revocation or cancellation or upon such person's failure, while subject to IEX's jurisdiction to provide information requested by IEX pursuant to IEX rules. Any such complaint must be filed within: two years after the effective date of termination of registration with IEX pursuant to Rule 2.160(r)(1), provided however that any amendment to a notice of termination filed pursuant to Rule 2.160(r)(2) that is filed within two years of the original notice that discloses that such person may have engaged in conduct actionable under any applicable statute, rule, or regulation shall operate to recommence the running of the two-year period under this subsection; two years after the effective date of revocation or cancellation of registration pursuant to IEX rules; or in the case of an unregistered person, two years after the date upon which such person ceased to be associated with the member. This proposed rule change is substantially similar to Article IV, Section 6 of the FINRA By-Laws with respect to members and Article V, Section 4 with respect to persons associated with a member.¹³

¹³ There are minor differences related to terminology. In addition, provisions substantially

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁴ in general and furthers the objectives of Section 6(b)(1)¹⁵ of the Act in that it is designed to enable the Exchange to enforce compliance by its members and persons associated with its members with applicable provisions of the Act, the rules and regulations thereunder and Exchange rules. In addition, the Exchange believes that the proposed rule change is consistent with Section 6(b)(6)¹⁶ of the Act in that it is designed to provide authority to the Exchange to appropriately discipline former members and persons associated with its members for such rule violations that occurred during membership or association with a member. Further, the Exchange believes that the proposed rule change is consistent with Section 6(b)(7)¹⁷ of the Act because it would support a fair procedure for the disciplining of members and persons associated with members for rule violations. Specifically, IEX believes that it is appropriate to retain jurisdiction over members and persons associated with members for a reasonable period of time for rule violations that occurred while the firm was a Member or an individual was associated with a member. IEX believes that two years is reasonable in that it provides adequate time for FINRA, on its behalf, to file a complaint without subjecting former members and persons formerly associated with members to an excessively long period of time to learn of a disciplinary matter. The Exchange notes that FINRA, New

similar to Article V, Section 4(b) of the FINRA By-Laws related to failure to comply with an arbitration award are contained in IEX Rule 9.554(a).

¹⁴ 15 U.S.C. 78f.

¹⁵ 15 U.S.C. 78f(b)(1).

¹⁶ 15 U.S.C. 78f(b)(6).

¹⁷ 15 U.S.C. 78f(b)(7).

York Stock Exchange (“NYSE”) and the Nasdaq Stock Market LLC (“Nasdaq”) also provide a two-year retention of jurisdiction period.¹⁸

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 that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed rule change is not designed to address any competitive issues but rather to provide for appropriate retention of jurisdiction of former members and persons associated with a member.

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)¹⁹ of the Act and Rule 19b-4(f)(6)²⁰ 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.

¹⁸ See Article IV, Section 6 of the FINRA By-Laws, NYSE Rule 8130, and Nasdaq Rule 1031(f).

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(6).

A proposed rule change filed under Rule 19b-4(f)(6)²¹ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),²² the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay to the extent necessary so that the proposal may become operative at the time of the launch of its operation as a national securities exchange.

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)²³ 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

²¹ 17 CFR 240.19b-4(f)(6).

²² 17 CFR 240.19b-4(f)(6)(iii).

²³ 15 U.S.C. 78s(b)(2)(B).

- Send an email to rule-comments@sec.gov. Please include File Number SR-IEX-2016-22 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-2016-22. 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 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 20549-1090. 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. 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-2016-22 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.²⁴

²⁴ 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

Rule 2.230. Retention of Jurisdiction

[Reserved.]

(a) An IEX Member whose membership is revoked, terminated or cancelled, and a person whose association thereof is revoked, terminated or cancelled, and is no longer associated with any member shall continue to be subject to the filing of a complaint under IEX rules based upon conduct which commenced prior to the effective date of the revocation or termination. Any such complaint, however, shall be filed within two years after the effective date of resignation, cancellation, termination or revocation.

(b) A person whose association with an IEX Member has been revoked, terminated or cancelled and is no longer associated with any IEX Member shall continue to be subject to the filing of a complaint under IEX rules based upon conduct that commenced prior to the termination, revocation or cancellation or upon such person's failure, while subject to IEX's jurisdiction to provide information requested by IEX pursuant to IEX rules. Any such complaint shall be filed within:

(i) two years after the effective date of termination of registration with IEX pursuant to to Rule 2.160(r)(1), provided however that any amendment to a notice of termination filed pursuant to Rule 2.160(r)(2) that is filed within two years of the original notice that discloses that such person may have engaged in conduct

actionable under any applicable statute, rule, or regulation shall operate to recommence the running of the two-year period under this subsection; or (ii) two years after the effective date of revocation or cancellation of registration pursuant to IEX rules; or in the case of an unregistered person, two years after the date upon which such person ceased to be associated with the member.
