

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 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) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

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

Description

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

Proposed rule change to amend IEX Rule 11.280 concerning the resumption of trading following a Level 3 market-wide circuit breaker halt.

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 * Last Name *
Title *
E-mail *
Telephone * 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
By
(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 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

Add Remove View

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 the “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend IEX Rule 11.280 concerning the resumption of trading following a Level 3 market-wide circuit breaker halt. IEX has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act³ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁴

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.

The persons on the Exchange staff prepared to respond to questions and

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4.

comments on the proposed rule change are:

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

Nathaniel Kolodny
Lead 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 amend IEX Rule 11.280(b)⁵ concerning the resumption of trading following a Level 3 market-wide circuit breaker halt. The Exchange is proposing this rule change in conjunction with other national securities exchanges and the Financial Industry Regulatory Authority ("FINRA").

IEX Rule 11.280 provides a methodology for determining when to halt trading in all stocks due to extraordinary market volatility (i.e., market-wide circuit breakers).⁶ The market-wide circuit breaker mechanism ("MWCB") under IEX Rule 11.280 was approved by the Commission to operate on a pilot basis, the term of which was to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS (the "LULD Plan"), including any extensions to the pilot period for the LULD Plan.⁷ The Commission recently approved an amendment to the LULD Plan for it to operate on a permanent, rather than pilot, basis.⁸ In light of

⁵ See IEX Rule 11.280(b).

⁶ See IEX Rule 11.280(a)-(d) and (f).

⁷ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012). An amendment to the LULD Plan adding IEX as a Participant was filed with the Commission on August 11, 2016 and became effective upon filing pursuant to Rule 608(b)(3)(iii) of the Act. See Securities Exchange Act Release No. 78703 (August 26, 2016), 81 FR 60397 (September 1, 2016) (File No. 4-631).

⁸ See Securities Exchange Act Release No. 85623 (April 11, 2019), 84 FR 16086 (April 17, 2019).

the proposal to make the LULD Plan permanent, the Exchange amended IEX Rule 11.280 to untie the pilot's effectiveness from that of the LULD Plan and to extend the pilot's effectiveness to the close of business on October 18, 2019.⁹ The Exchange then filed to extend the pilot for an additional year to the close of business on October 18, 2020.¹⁰

The market-wide circuit breaker under IEX Rule 11.280 provides an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. All U.S. equity exchanges and FINRA adopted uniform rules on a pilot basis relating to market-wide circuit breakers in 2012 ("MWCB Rules"), which are designed to slow the effects of extreme price movement through coordinated trading halts across securities markets when severe price declines reach levels that may exhaust market liquidity.¹¹ Market-wide circuit breakers provide for trading halts in all equities and options markets during a severe market decline as measured by a single-day decline in the S&P 500 Index.

Pursuant to IEX Rule 11.280, a market-wide trading halt will be triggered if the S&P 500 Index declines in price by specified percentages from the prior day's closing price of that index. Currently, the triggers are set at three circuit breaker thresholds: 7% (Level 1), 13% (Level 2), and 20% (Level 3).¹² A market decline that triggers a Level 1 or Level 2 halt after 9:30 a.m. ET and before 3:25 p.m. ET would halt market-wide

⁹ See Securities Exchange Act Release No. 85576 (April 9, 2019), 84 FR 15237 (April 15, 2019) (SR-IEX-2019-04).

¹⁰ See Securities Exchange Act Release No. 87298 (October 15, 2019), 84 FR 56255 (October 21, 2019) (SR-IEX-2019-11).

¹¹ See *supra* note 7.

¹² See IEX Rule 11.280(a).

trading for 15 minutes, while a similar market decline at or after 3:25 p.m. ET would not halt market-wide trading.¹³ A market decline that triggers a Level 3 halt at any time during the trading day would halt market-wide trading until the primary listing market opens the next trading day.¹⁴

Today, in the event that a Level 3 market decline occurs, the Exchange would halt trading for the remainder of the trading day and would not resume until the primary listing market opens the next trading day. Thus, if the primary listing market is the New York Stock Exchange, Inc. (“NYSE”), IEX would not resume trading in NYSE-listed securities until NYSE opens at 9:30 a.m. ET on the next trading day.¹⁵ But if the primary listing market is the Nasdaq Stock Market LLC (“Nasdaq”), IEX would resume trading in Nasdaq-listed securities at 8:00 a.m. ET on the next trading day, when IEX commences its Pre-Market Session.¹⁶ Effectively, Nasdaq would open its listed securities for trading following a Level 3 halt the same as a regular trading day under the current MWCB Level 3 re-opening procedures.¹⁷ For non-Nasdaq listed securities, however, IEX would resume trading once the primary listing market has re-opened the security for trading, which time may currently vary depending on the primary listing market.¹⁸

¹³ See IEX Rule 11.280(b)(1).

¹⁴ See IEX Rule 11.280(b)(2).

¹⁵ See NYSE Rule 1.1.

¹⁶ Nasdaq’s pre-market session begins at 4:00 a.m. ET and continues until 9:30 a.m. ET. See Nasdaq Rule 4120(b)(4). IEX’s Pre-Market Session begins at 8:00 a.m. ET and continues until 9:30 a.m. ET. See IEX Rule 1.160(aa).

¹⁷ The Nasdaq system begins accepting and processing eligible orders in time priority at 4:00 a.m. ET. See Nasdaq Rule 4752(b) for further description of trading in the Pre-Market Session.

¹⁸ Furthermore, there may be cross-market differences in how each exchange currently opens the next day after a Level 3 MWCB halt. As discussed above, while Nasdaq currently resumes trading in its listed securities no differently from a regular trading day, other exchanges may, for instance, conduct a halt auction process instead of opening in the normal course under their respective rules. As discussed later in this filing, the proposed changes will allow each

Upon feedback from industry participants, the Exchange has been working with other national securities exchanges and FINRA to establish a standardized approach for resuming trading in all NMS Stocks following a Level 3 halt. The proposed approach would allow for the opening of all securities the next trading day after a Level 3 halt as a regular trading day and is designed to ensure that Level 3 MWCB events are handled in a more consistent manner that is transparent for market participants.¹⁹

As proposed, a Level 3 halt would end at the end of the trading day on which it is declared. This proposed change would allow for next-day trading to resume in all NMS Stocks no differently from any other trading day. In other words, an exchange could resume trading in any security when it first begins trading under its rules and would not need to wait for the primary listing market to re-open trading in a security before it could start trading such security.²⁰ Accordingly, under the proposal, the Exchange could begin trading all securities at the beginning of the Exchange's Pre-Market Session, just as it currently does for Nasdaq-listed securities.

To effect this change, the Exchange proposes to delete the language in IEX Rule 11.280(b)(2) requiring the Exchange to wait until the primary listing exchange opens the

exchange to resume trading in all securities the next trading day following a Level 3 halt no differently from a regular trading day.

¹⁹ Of note, the U.S. futures markets, which have similar rules for coordinated MWCB halts, normally begin their "next day" trading session at 6:00 p.m. ET (for CFE and CME) or at 8:00 p.m. ET (for ICE). If the U.S. futures markets amend their MWCB rules, as needed, to allow for normal course trading following a Level 3 halt, the futures markets would resume trading in their normal course at 6:00 p.m. ET (CFE and CME) or 8:00 p.m. ET (ICE) the same day as the Level 3 halt.

²⁰ The Exchange anticipates that the other national securities exchanges and FINRA will also file similar proposals to amend their MWCB rules on the resumption of trading following Level 3 halts, and amend their rules, where required, to have their Level 3 next-day openings happen normally. See e.g., Securities Exchange Act Release No. 88004 (January 17, 2020), 85 FR 3992 (January 23, 2020) (SR-NASDAQ-2020-003).

next trading day following a Level 3 market decline, and specify that the Exchange will halt trading for the remainder of the same trading day.²¹ The proposed rule change would therefore allow each exchange to resume trading in all securities the next trading day following a Level 3 halt at whatever time such exchange normally begins trading under its rules, which for IEX would be at the beginning of the Pre-Market Session at 8:00 a.m. ET under its current rules.²² The Exchange also expects that the primary listing exchanges will facilitate this change by sending resume messages to the applicable securities information processor (“SIP”) to lift the Level 3 trading halt message in all securities. The resumption messages will be disseminated after the SIP has started on the next trading day and before the start of the earliest pre-market trading session of all exchanges. If a security is separately subject to a regulatory halt that has not ended, the primary listing exchange would replace the Level 3 halt message with the applicable regulatory halt message.

Having a consistent approach for all securities will make the opening process the day after a Level 3 halt more uniform and reduce complexity, which the Exchange believes is important after a significant market event. Based on industry feedback, the Exchange believes that opening in the normal course in all equity securities as opposed to, for instance, having a normal opening for Nasdaq-listed securities only or waiting for the primary listing exchange to conduct a halt auction prior to resuming trading, will be more beneficial to the marketplace. By allowing trading to resume after a Level 3 halt in all securities no differently from any normal trading day under the respective rules of

²¹ Presently, the Exchange’s equities trading day ends at 5:00 p.m. ET. See IEX Rule 1.160(aa).

²² See supra note 16.

each exchange, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS Stocks and balances out potential concerns around volatility. While the Exchange recognizes that the impact of this proposal is to permit all securities to be traded in the Pre-Market Session, which does not have certain price protections for volatility such as LULD Bands or MWCBS protections, the Exchange nonetheless believes that this outcome is outweighed by the benefits provided by opening in the Pre-Market Session in a manner that is more familiar to the marketplace. Moreover, allowing the resumption of trading to occur on the Exchange at the beginning of the Pre-Market Session in all NMS Stocks will allow for price formation to occur earlier in the trading day, which in turn allows market participants to react to news that has developed. As such, trading at the beginning of regular hours may be more orderly.

b. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of Sections 6(b)²³ and 6(b)(5) of the Act,²⁴ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The market-wide circuit breaker mechanism under IEX Rule 11.280 is an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. The Exchange believes that the proposed rule

²³ 15 U.S.C. 78f(b).

²⁴ 15 U.S.C. 78f(b)(5).

change promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning when and how to halt trading in all stocks as a result of extraordinary market volatility, and how the markets will resume trading following a Level 3 market decline. As described above, the Exchange, together with other national securities exchanges and FINRA, is seeking to adopt a standardized approach related to resuming trading in NMS Stocks after a Level 3 MWCB halt. In this regard, the Exchange believes that the proposal to resume trading in all securities following a Level 3 halt in the same manner that securities would open trading on a regular trading day (i.e., the beginning of the Pre-Market Session at 8 a.m. ET on IEX) will benefit investors, the national market system, Exchange Members, and the Exchange market by promoting a fair and orderly market and reducing confusion during a significant cross-market event. By allowing trading to resume after a Level 3 halt in all securities no differently from any normal trading day under the respective rules of each exchange, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS Stocks.

Based on the foregoing, the Exchange believes the benefits to market participants from the MWCB under IEX Rule 11.280 with the proposed standardized process for resuming trading in all securities following a Level 3 halt will promote fair and orderly markets and protect investors and the public interest.

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

IEX 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 because the proposed Level 3 rule change described above would standardize the opening

process for all securities on the Exchange, which would make the opening process the day after a Level 3 halt more uniform and reduce complexity. Further the Exchange understands that FINRA and the other national securities exchanges will file similar proposals to adopt the proposed Level 3 rule change.

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

The Exchange does not consent to an extension of the time period for Commission action.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act²⁵ and paragraph (f)(6) of Rule 19b-4 thereunder.²⁶ The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. 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.²⁷

The MWCB under IEX Rule 11.280 is an important, automatic mechanism. The

²⁵ 15 U.S.C. 78s(b)(3)(A).

²⁶ 17 CFR 240.19b-4.

²⁷ 17 CFR 240.19b-4(f)(6)(iii).

proposed change to the process for resumption of trading securities after a Level 3 trading halt will not significantly affect the protection of investors or the public interest because it will continue to promote a fair and orderly market and reduce confusion during a significant cross-market event when securities markets experience broad-based declines. This proposed change will also not impose any significant burden on competition because the Exchange understands that FINRA and other national securities exchanges will file similar proposals to modify their process for reopening after a Level 3 trading halt, thereby ensuring consistency across market centers without implicating any competitive issues.

Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act²⁸ and paragraph (f)(6) of Rule 19b-4 thereunder.²⁹

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 Act³⁰ and paragraph (f)(6) of Rule 19b-4 thereunder.³¹ Waiver of the 30-day operative delay will allow the Exchange to resume trading after a Level 3 trading halt concurrently with FINRA and the other exchanges. Waiver of the operative delay is consistent with the protection of investors and the public interest because it seeks to ensure consistency across market centers.

At any time within 60 days of the filing of the proposed rule change, the

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 17 CFR 240.19b-4.

³⁰ 15 U.S.C. 78s(b)(3)(A).

³¹ 17 CFR 240.19b-4.

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.

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

The proposed rule change is based on the recently approved change to Nasdaq Rule 4121(b). Furthermore, as discussed above, the Exchange understands that the other national securities exchanges and FINRA will file proposals to modify the process by which they will resume trading during the next trading day after a Level 3 trading halt.

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34 -); File No. SR-IEX-2020-04)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend IEX Rule 11.280 Concerning the Resumption of Trading Following a Level 3 Market-Wide Circuit Breaker Halt.

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 Act,⁴ and Rule 19b-4 thereunder,⁵ IEX is filing with the Commission a proposed rule change to amend IEX Rule 11.280 concerning the resumption of trading following a Level 3 market-wide circuit breaker halt. IEX has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act⁶ and provided the Commission with the notice required by

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.

⁶ 15 U.S.C. 78s(b)(3)(A).

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 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 amend IEX Rule 11.280(b)⁸ concerning the resumption of trading following a Level 3 market-wide circuit breaker halt. The Exchange is proposing this rule change in conjunction with other national securities exchanges and the Financial Industry Regulatory Authority ("FINRA").

IEX Rule 11.280 provides a methodology for determining when to halt trading in all stocks due to extraordinary market volatility (i.e., market-wide circuit breakers).⁹ The market-wide circuit breaker mechanism ("MWCB") under IEX Rule 11.280 was approved by the Commission to operate on a pilot basis, the term of which was to

⁷ 17 CFR 240.19b-4.

⁸ See IEX Rule 11.280(b).

⁹ See IEX Rule 11.280(a)-(d) and (f).

coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS (the “LULD Plan”), including any extensions to the pilot period for the LULD Plan.¹⁰ The Commission recently approved an amendment to the LULD Plan for it to operate on a permanent, rather than pilot, basis.¹¹ In light of the proposal to make the LULD Plan permanent, the Exchange amended IEX Rule 11.280 to untie the pilot’s effectiveness from that of the LULD Plan and to extend the pilot’s effectiveness to the close of business on October 18, 2019.¹² The Exchange then filed to extend the pilot for an additional year to the close of business on October 18, 2020.¹³

The market-wide circuit breaker under IEX Rule 11.280 provides an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. All U.S. equity exchanges and FINRA adopted uniform rules on a pilot basis relating to market-wide circuit breakers in 2012 (“MWCB Rules”), which are designed to slow the effects of extreme price movement through coordinated trading halts across securities markets when severe price declines reach levels that may exhaust market liquidity.¹⁴ Market-wide circuit breakers provide for trading halts in all equities and

¹⁰ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012). An amendment to the LULD Plan adding IEX as a Participant was filed with the Commission on August 11, 2016 and became effective upon filing pursuant to Rule 608(b)(3)(iii) of the Act. See Securities Exchange Act Release No. 78703 (August 26, 2016), 81 FR 60397 (September 1, 2016) (File No. 4-631).

¹¹ See Securities Exchange Act Release No. 85623 (April 11, 2019), 84 FR 16086 (April 17, 2019).

¹² See Securities Exchange Act Release No. 85576 (April 9, 2019), 84 FR 15237 (April 15, 2019) (SR-IEX-2019-04).

¹³ See Securities Exchange Act Release No. 87298 (October 15, 2019), 84 FR 56255 (October 21, 2019) (SR-IEX-2019-11).

¹⁴ See supra note 10.

options markets during a severe market decline as measured by a single-day decline in the S&P 500 Index.

Pursuant to IEX Rule 11.280, a market-wide trading halt will be triggered if the S&P 500 Index declines in price by specified percentages from the prior day's closing price of that index. Currently, the triggers are set at three circuit breaker thresholds: 7% (Level 1), 13% (Level 2), and 20% (Level 3).¹⁵ A market decline that triggers a Level 1 or Level 2 halt after 9:30 a.m. ET and before 3:25 p.m. ET would halt market-wide trading for 15 minutes, while a similar market decline at or after 3:25 p.m. ET would not halt market-wide trading.¹⁶ A market decline that triggers a Level 3 halt at any time during the trading day would halt market-wide trading until the primary listing market opens the next trading day.¹⁷

Today, in the event that a Level 3 market decline occurs, the Exchange would halt trading for the remainder of the trading day and would not resume until the primary listing market opens the next trading day. Thus, if the primary listing market is the New York Stock Exchange, Inc. ("NYSE"), IEX would not resume trading in NYSE-listed securities until NYSE opens at 9:30 a.m. ET on the next trading day.¹⁸ But if the primary listing market is the Nasdaq Stock Market LLC ("Nasdaq"), IEX would resume trading in Nasdaq-listed securities at 8:00 a.m. ET on the next trading day, when IEX commences its Pre-Market Session.¹⁹ Effectively, Nasdaq would open its listed securities for trading following a Level 3 halt the same as a regular trading day under the current MWCB

¹⁵ See IEX Rule 11.280(a).

¹⁶ See IEX Rule 11.280(b)(1).

¹⁷ See IEX Rule 11.280(b)(2).

¹⁸ See NYSE Rule 1.1.

¹⁹ Nasdaq's pre-market session begins at 4:00 a.m. ET and continues until 9:30 a.m. ET. See Nasdaq Rule 4120(b)(4). IEX's Pre-Market Session begins at 8:00 a.m. ET and continues until 9:30 a.m. ET. See IEX Rule 1.160(aa).

Level 3 re-opening procedures.²⁰ For non-Nasdaq listed securities, however, IEX would resume trading once the primary listing market has re-opened the security for trading, which time may currently vary depending on the primary listing market.²¹

Upon feedback from industry participants, the Exchange has been working with other national securities exchanges and FINRA to establish a standardized approach for resuming trading in all NMS Stocks following a Level 3 halt. The proposed approach would allow for the opening of all securities the next trading day after a Level 3 halt as a regular trading day and is designed to ensure that Level 3 MWCB events are handled in a more consistent manner that is transparent for market participants.²²

As proposed, a Level 3 halt would end at the end of the trading day on which it is declared. This proposed change would allow for next-day trading to resume in all NMS Stocks no differently from any other trading day. In other words, an exchange could resume trading in any security when it first begins trading under its rules and would not need to wait for the primary listing market to re-open trading in a security before it could

²⁰ The Nasdaq system begins accepting and processing eligible orders in time priority at 4:00 a.m. ET. See Nasdaq Rule 4752(b) for further description of trading in the Pre-Market Session.

²¹ Furthermore, there may be cross-market differences in how each exchange currently opens the next day after a Level 3 MWCB halt. As discussed above, while Nasdaq currently resumes trading in its listed securities no differently from a regular trading day, other exchanges may, for instance, conduct a halt auction process instead of opening in the normal course under their respective rules. As discussed later in this filing, the proposed changes will allow each exchange to resume trading in all securities the next trading day following a Level 3 halt no differently from a regular trading day.

²² Of note, the U.S. futures markets, which have similar rules for coordinated MWCB halts, normally begin their “next day” trading session at 6:00 p.m. ET (for CFE and CME) or at 8:00 p.m. ET (for ICE). If the U.S. futures markets amend their MWCB rules, as needed, to allow for normal course trading following a Level 3 halt, the futures markets would resume trading in their normal course at 6:00 p.m. ET (CFE and CME) or 8:00 p.m. ET (ICE) the same day as the Level 3 halt.

start trading such security.²³ Accordingly, under the proposal, the Exchange could begin trading all securities at the beginning of the Exchange's Pre-Market Session, just as it currently does for Nasdaq-listed securities.

To effect this change, the Exchange proposes to delete the language in IEX Rule 11.280(b)(2) requiring the Exchange to wait until the primary listing exchange opens the next trading day following a Level 3 market decline, and specify that the Exchange will halt trading for the remainder of the same trading day.²⁴ The proposed rule change would therefore allow each exchange to resume trading in all securities the next trading day following a Level 3 halt at whatever time such exchange normally begins trading under its rules, which for IEX would be at the beginning of the Pre-Market Session at 8:00 a.m. ET under its current rules.²⁵ The Exchange also expects that the primary listing exchanges will facilitate this change by sending resume messages to the applicable securities information processor ("SIP") to lift the Level 3 trading halt message in all securities. The resumption messages will be disseminated after the SIP has started on the next trading day and before the start of the earliest pre-market trading session of all exchanges. If a security is separately subject to a regulatory halt that has not ended, the primary listing exchange would replace the Level 3 halt message with the applicable regulatory halt message.

Having a consistent approach for all securities will make the opening process the day after a Level 3 halt more uniform and reduce complexity, which the Exchange

²³ The Exchange anticipates that the other national securities exchanges and FINRA will also file similar proposals to amend their MWCB rules on the resumption of trading following Level 3 halts, and amend their rules, where required, to have their Level 3 next-day openings happen normally. See e.g., Securities Exchange Act Release No. 88004 (January 17, 2020), 85 FR 3992 (January 23, 2020) (SR-NASDAQ-2020-003).

²⁴ Presently, the Exchange's equities trading day ends at 5:00 p.m. ET. See IEX Rule 1.160(aa).

²⁵ See supra note 19.

believes is important after a significant market event. Based on industry feedback, the Exchange believes that opening in the normal course in all equity securities as opposed to, for instance, having a normal opening for Nasdaq-listed securities only or waiting for the primary listing exchange to conduct a halt auction prior to resuming trading, will be more beneficial to the marketplace. By allowing trading to resume after a Level 3 halt in all securities no differently from any normal trading day under the respective rules of each exchange, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS Stocks and balances out potential concerns around volatility. While the Exchange recognizes that the impact of this proposal is to permit all securities to be traded in the Pre-Market Session, which does not have certain price protections for volatility such as LULD Bands or MWCB protections, the Exchange nonetheless believes that this outcome is outweighed by the benefits provided by opening in the Pre-Market Session in a manner that is more familiar to the marketplace. Moreover, allowing the resumption of trading to occur on the Exchange at the beginning of the Pre-Market Session in all NMS Stocks will allow for price formation to occur earlier in the trading day, which in turn allows market participants to react to news that has developed. As such, trading at the beginning of regular hours may be more orderly.

2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of Sections 6(b)²⁶ and 6(b)(5) of the Act,²⁷ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of

²⁶ 15 U.S.C. 78f(b).

²⁷ 15 U.S.C. 78f(b)(5).

a free and open market and a national market system, and, in general to protect investors and the public interest. The market-wide circuit breaker mechanism under IEX Rule 11.280 is an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. The Exchange believes that the proposed rule change promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning when and how to halt trading in all stocks as a result of extraordinary market volatility, and how the markets will resume trading following a Level 3 market decline. As described above, the Exchange, together with other national securities exchanges and FINRA, is seeking to adopt a standardized approach related to resuming trading in NMS Stocks after a Level 3 MWCB halt. In this regard, the Exchange believes that the proposal to resume trading in all securities following a Level 3 halt in the same manner that securities would open trading on a regular trading day (i.e., the beginning of the Pre-Market Session at 8 a.m. ET on IEX) will benefit investors, the national market system, Exchange Members, and the Exchange market by promoting a fair and orderly market and reducing confusion during a significant cross-market event. By allowing trading to resume after a Level 3 halt in all securities no differently from any normal trading day under the respective rules of each exchange, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS Stocks.

Based on the foregoing, the Exchange believes the benefits to market participants from the MWCB under IEX Rule 11.280 with the proposed standardized process for resuming trading in all securities following a Level 3 halt will promote fair and orderly

markets and protect investors and the public interest.

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

IEX 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 because the proposed Level 3 rule change described above would standardize the opening process for all securities on the Exchange, which would make the opening process the day after a Level 3 halt more uniform and reduce complexity. Further the Exchange understands that FINRA and the other national securities exchanges will file similar proposals to adopt the proposed Level 3 rule change.

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)²⁸ of the Act and Rule 19b-4(f)(6)²⁹ 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.

A proposed rule change filed under Rule 19b-4(f)(6)³⁰ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 17 CFR 240.19b-4(f)(6).

³⁰ 17 CFR 240.19b-4(f)(6).

4(f)(6)(iii),³¹ 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 in order to allow the Exchange to resume trading after a Level 3 trading halt concurrently with FINRA and the other exchanges. Waiver of the operative delay is consistent with the protection of investors and the public interest because it seeks to ensure consistency across market centers.

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)³² 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. Please include File Number SR-IEX-2020-04 on the subject line.

³¹ 17 CFR 240.19b-4(f)(6)(iii).

³² 15 U.S.C. 78s(b)(2)(B).

Paper Comments:

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

All submissions should refer to File Number SR-IEX-2020-04. 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, 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. 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-2020-04 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.³³

³³ 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

CHAPTER 11. TRADING RULES

Rule 11.280. Limit Up-Limit Down Plan and Trading Halts

- (a) No change.
- (b) Halts in Trading.
 - (1) No Change.
 - (2) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all stocks for the remainder of the trading day[until the primary listing market opens the next trading day].
- (c)–(h) No change.
