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Page 1 of * 33

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2026 - * 48
Amendment No. (req. for Amendments *)

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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

- ☐ 19b-4(f)(1)
- ☐ 19b-4(f)(2)
- ☐ 19b-4(f)(3)
- ☐ 19b-4(f)(4)
- ☐ 19b-4(f)(5)
- ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

Proposed rule change to amend Supplementary Material .04 to IEX Rule 23.150(h) to incrementally optimize the proprietary mathematical calculation used to make quote instability determinations for certain Market Maker quotes.

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 * (917) 509-9001 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Investors Exchange LLC has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 11/17/2026

By Claudia Crowley
(Name *)

(Title *)
Chief Regulatory Officer

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

CLAUDIA OZAROFF CROWLEY
Digitally signed by CLAUDIA OZAROFF CROWLEY
Date: 2026.11.17 16:36:44 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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Rule 23.150 19b-4 - ORP Spread v4 f

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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Rule 23.150 Ex 1 - ORP Spread Meth

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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Rule 23.150 Ex 5 - ORP Spread Metho

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 Supplementary Material .04 to IEX Rule 23.150(h) to incrementally optimize the proprietary mathematical calculation used to make quote instability determinations for certain Market Maker quotes. 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 Exchange's governing documents. Therefore, the Exchange's internal procedures with

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 17 CFR 240.19b-4(f)(6)(iii).

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

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 purpose of the proposed rule change is to amend Supplementary Material .04 to IEX Rule 23.150(h) to incrementally optimize the proprietary mathematical calculation used to make quote instability determinations for certain Market Maker quotes. The change is designed to more narrowly tailor the impact of the quote instability threshold calculation, which determines whether the Exchange's Options Risk Parameter ("ORP") is triggered. Specifically, while keeping all other calculations the same, the Exchange proposes that the quote instability threshold be calculated based on the quoted spread of the options series rather than one side of that quoted spread.

Description of the Options Risk Parameter

Pursuant to IEX Rule 23.150(h), IEX Options offers Market Makers the ORP, which a Market Maker can elect to apply to a quotation that rests on the Order Book at the price designated by the Market Maker that entered the quotation.[4] When the ORP is

[4] The purpose and operation of the ORP is described in the Exchange's filing to adopt rules governing the trading of Options. See Securities Exchange Act Release No. 103290 (June 18, 2025), 90 FR 26865, 26878 (June 24, 2025) (SR-IEX-2025-02) (Notice of Filing of Amendment No. 3 to a Proposed Rule Change To Adopt Rules To Govern the Trading of Options on the

triggered based on pre-defined criteria in IEX rules, the relevant quotation(s) is adjusted or canceled in the manner specified in IEX rules.[5]

As described in the Options Rule Filing, the ORP leverages IEX's proprietary mathematical formula, which is a fixed formula specified transparently in IEX's rules, to assess whether there is a material dislocation between the current best Protected Bid[6] ("PBB") or Protected Offer[7] ("PBO") (and collectively the "PBBO") of the options Away Markets[8] and the price of the underlying security that is indicative that the option quotes' prices are likely stale and in the process of imminently transitioning to an adverse price (i.e., the best Protected Offer of the Away Markets to a higher price or the best Protected Bid of the Away Markets to a lower price).[9]

As described in the Options Rule Filing, the ORP is designed to protect Market Makers from excessive risk due to execution of quotes at stale prices (i.e., before the Market Maker can update them in response to changed market data) that can be exploited by latency arbitrage strategies. The ORP utilizes real time relative quoting activity of protected quotations from the Signal Exchanges (as defined in IEX Rule 11.190(g)) in securities underlying each listed options series and a proprietary mathematical calculation (the "quote instability calculation"), as described in more detail in the Options Rule Filing and below, to assess the impact of a price change in the underlying on the price of

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Exchange for a New Facility Called IEX Options) (the "Options Rule Filing").

5 See IEX Rule 23.150(h).

6 See IEX Rule 28.100(a)(19).

7 See IEX Rule 28.100(a)(19).

8 See IEX Rule 22.160(a)(7).

9 See IEX Rule 23.150(h).

a particular options series.[10] When the quote instability calculation identifies that a dislocation between options prices and the underlying security price is sufficiently material in a particular listed options series, it generates a quote instability determination.[11] If a Market Maker has elected that its quotations be subject to the ORP and its bid (offer) quote is above (below) the price level of the quote instability determination, the System will either cancel the quote or reprice it to the price level of the quote instability determination, as instructed by the Market Maker.[12]

Proposal

In the months leading to launch, after soliciting input from market participants of the predicted efficacy of ORP, the Exchange identified an area for optimization to more narrowly tailor when ORP makes a quote instability determination. Specifically, without modifying any other aspect of the ORP calculation, the Exchange proposes to contextualize the quote instability determination in relation to the difference between the PBO and PBB. The Exchange believes the proposed change will optimize the ORP to impact circumstances that are more impactful, particularly in options series with narrow spreads, which present relatively greater risk for adverse selection.[13] IEX believes that this proposed approach is a commonsense enhancement to the ORP because it would restrain ORP protection to tighter markets without unnecessarily acting on other Market Maker quotes in wider markets, which have less risk of adverse selection.

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10 See Supplementary Material .04 to IEX Rule 23.150(h).

11 See IEX Rule 23.150(h)(1)(A).

12 See IEX Rule 23.150(h)(1)(C).

13 The Exchange understands that the risks related to potential adverse selection to a Market Maker are generally heightened if the amount of the dislocation is a larger percentage of the options spread.

To effectuate this enhancement to the ORP, IEX proposes making the following changes to the ORP rules:

- In subparagraph (2)(c) of Supplementary Material .04 to Rule 23.150(h), which describes when the ORP will generate a quote instability determination that the price for an option is likely to imminently increase, modify the formula to replace "quote_instability_factor_up[14]", which compares the price change of the underlying to the PBO of the options series, with "(delta_absolute_value[15] times the absolute value of underlying_change[16]) divided by (instrument_PBO_lagged – instrument_PBB_lagged[17])" so that it now reads:
    - Model will generate a quote instability determination "up" at a price level equal to instrument_PBO_lagged * (1+quote_instability_factor_up), rounded to the nearest MPV, if (delta_absolute_value*|underlying_change|) / (instrument_PBO_lagged - instrument_PBB_lagged) > Quote Instability Threshold[18] and delta_absolute_value is within

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14 "quote_instability_factor_up" is defined as: "if contract = Call, delta_call * underlying_change_up/instrument_PBO_lagged, else, delta_put * underlying_change_down/instrument_PBO_lagged" See subparagraph (2)(a) to Supplementary Material .04 to Rule 23.150(h).

15 "delta_absolute_value" is defined as "if contract = Call, delta_call, else |delta_put|." See subparagraph (1)(p) to Supplementary Material .04 to Rule 23.150(h).

16 "underlying_change" is defined as the underlying_price – underlying_price_lagged. See subparagraph (1)(e) to Supplementary Material .04 to Rule 23.150(h). "Underlying_price" is defined as the midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges for the underlying security, and "underlying_price_lagged" is defined as the midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges for the underlying security U_TIME_WINDOW milliseconds prior OR U_UPDATE_WINDOW updates ago, whichever is more recent. See subparagraphs (1)(a) and (1)(b), respectively, to Supplementary Material .04 to Rule 23.150(h). The U_TIME_WINDOW and U_UPDATE_WINDOW are variables that are used to measure the lookback period for assessing changes to the underlying price, which have fixed defined values. See subparagraphs (1)(c) and 1(d) to Supplementary Material .04 to Rule 23.150(h).

17 "instrument_PBB_lagged" and "instrument_PBO_lagged" are defined as the value of the PBB or PBO, respectively, for the instrument U_TIME_WINDOW milliseconds prior or U_UPDATE_WINDOW updates ago, whichever is more recent. See subparagraph (1)(r) to Supplementary Material .04 to Rule 23.150(h). Thus, instrument_PBO_lagged – instrument_PBB_lagged represents the spread of the option prior to the price change of the underlying.

18 As described, infra, the Quote Instability Threshold is defined in subparagraph (2)(e) to Supplementary Material .04 to Rule 23.150(h) and is one of three aspects of the ORP IEX proposes to modify in this rule change proposal.

Delta Bound Band[19]

- In subparagraph (2)(d) of Supplementary Material .04 to Rule 23.150(h), which describes when the ORP will generate quote instability determinations that the price for an option is likely to imminently decrease, modify the formula to replace "quote_instability_factor_down[20]" with "(delta_absolute_value times the absolute value of underlying_change) divided by (instrument_PBO_lagged – instrument_PBB_lagged)" so that it now reads:

    - Model will generate a quote instability determination "down" at a price level equal to instrument_PBB_lagged * (1-quote_instability_factor_down), rounded to the nearest MPV, if (delta_absolute_value*|underlying_change|) / (instrument_PBO_lagged - instrument_PBB_lagged) > Quote Instability Threshold[21] and delta_absolute_value is within Delta Bound Band

- In subparagraph (2)(e) of Supplementary Material .04 to Rule 23.150(h), which defines the Quote Instability Threshold, change the reference to "the then-current price" to refer to the "instrument_PBO_lagged – instrument_PBB_lagged" so that it now reads:

    - Quote Instability Threshold: To be periodically determined by the Exchange within a range of 0% – 100%, reflecting the difference between the quote instability determination price level and the then-current price of the option as a percent of the instrument_PBO_lagged - instrument_PBB_lagged of the option. The current Quote Instability Threshold is 0.5%. If the Exchange determines to change the Quote Instability Threshold, based on its assessment of relevant factors that would optimize application of the ORP, it will submit a rule filing pursuant to Rule 19b-4(f) under the Exchange Act

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19 Delta Bound Band is a range specified in subparagraph (1)(q) to Supplementary Material .04 to Rule 23.150.

20 "quote_instability_factor_down" if contract = Call, -1*delta_call * underlying_change_down/instrument_PBB_lagged, else, -1*delta_put * underlying_change_up/instrument_PBB_lagged See subparagraph (2)(b) to Supplementary Material .04 to Rule 23.150(h).

21 As described, infra, the Quote Instability Threshold is defined in subparagraph (2)(e) to Supplementary Material .04 to Rule 23.150(h) and is one of three aspects of the ORP IEX proposes to modify in this rule change proposal.

specifying a new Quote Instability Threshold.

Under the current formula, the ORP assesses the materiality of the predicted move only through the value of the PBB or the PBO (depending on the direction of the underlying move). [22] Under the proposed formula, the ORP would assess the materiality of the predicted move through the width of the PBBO. The following examples demonstrate the manner in which these proposed changes will affect the ORP. For each example, assume a call option has a 0.50 delta.[23] Assume that the ORP detects a price move up of the midpoint of the underlying security by $0.10. Accordingly, any offer in a call option would be predicted to move up by $0.05.

Example 1:

Option PBBO	Spread	Current value $0.05 ÷ PBO	Proposed value $0.05 ÷ spread
$1.00–$2.00	$1.00	2.50%	5.00%
$15.00–$15.10	$0.10	0.33%	50.00%

The current method assigns the larger ratio to the lower-priced option, even though its spread is ten times wider. The proposed method reverses that ranking: the predicted move is 5% of the wide spread and 50% of the narrow spread. The narrower market would therefore be more sensitive to an ORP trigger for a given underlying move.

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22 The Exchange notes that a determination as to whether action is taken by the ORP is in relation to the Quote Instability Threshold, which can be set from 0% to 100% as determined by the Exchange. While the current Quote Instability Threshold is set at 0.5%, the Exchange anticipates making a filing pursuant to Rule 19b-4(f) under the Exchange Act to change the Quote Instability Threshold prior to implementation of this proposed rule change. For purposes of evaluating the examples set forth herein, the Exchange anticipates setting the Quote Instability Threshold to 30%.

23 "Delta" is a measure of the sensitivity of the theoretical price of an option to changes in the price of the underlying security, holding other factors constant.

Example 2:

Option PBBO	Spread	Current value $0.05 ÷ PBO	Proposed value $0.05 ÷ spread
$1.00–$1.10	$0.10	4.55%	50.00%
$15.00–$15.10	$0.10	0.33%	50.00%

The disparity in protection is greater illustrated when options series have the same spread widths. The current method gives the same predicted price increase less weight at the higher option price. However, the proposed method assigns both cases the same 50% ratio. Thus, with the remaining conditions held equal, both series would have the same sensitivity to an up determination, making protection consistent across option series when the spread and predicted change are the same.

IEX understands that Market Makers generally assess their risks related to a potential latency arbitrage "pick off" (i.e., when another market participants executes against its quote before the Market Maker has adjusted its quote) based on the degree to which a pick off would exhaust its quoted spread up to its midpoint. IEX thus believes that the ORP's protections are making evaluations based upon a reference that is suboptimal in determining materiality.

Example 3:

Option PBBO	Spread	Current value $0.05 ÷ PBB	Current value $0.05 ÷ PBO	Proposed value $0.05 ÷ spread
$8.00–$12.10	$4.10	0.63%	0.41%	1.22%

This more extreme example provides an opportunity to see how ORP currently provides uneven results by basing materiality on price of the PBB or PBO. The above

example provides a market that is $4.10 wide. However, ORP impact will be different when it detects a $0.10 price move of the midpoint of the underlying security depending on whether that move is up or down. Even though it is the same PBBO and same delta and even though there is the same amount of expected price change ($0.05), currently ORP will trigger a price instability determination for the bid (in a down move) but not for the offer (in a comparable up move). The proposed change would maintain the same treatment for the bid and the offer based on comparable moves.[24]

IEX is not proposing any changes to the other values, reference prices, or inputs to the ORP. The rest of the mathematical calculations relating to existing ORP rules will continue to operate in the same manner as currently specified.

Implementation

The Exchange will announce the implementation date of the proposed rule change by Trading Alert at least ten days in advance of such implementation date and within 90 days of effectiveness of this proposed rule change.

b. Statutory Basis

IEX believes that the proposed rule change is consistent with Section 6(b)[25] of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act,[26] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons

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24 For the purposes of this example and as set forth in footnote 22, with the anticipated Quote Instability Threshold set at 30%, ORP would not impact either the bid or offer given the wide market.

25 15 U.S.C. 78f(b).

26 15 U.S.C. 78f(b)(5).

engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. As discussed in the Purpose section, the proposed change is designed to incrementally enhance the effectiveness of the ORP in providing narrowly-tailored protection from adverse selection associated with latency arbitrage during periods of quote instability.

Further, as noted in the Purpose section, IEX believes this is a commonsense enhancement and expects that it will further constrain the times that ORP seeks to impact a resting Market Maker quote. Thus, the Exchange believes that the proposed change is consistent with the Act because it narrowly tailors and targets ORP to tightly quoted markets where protection from adverse selection associated with latency arbitrage is most applicable.

Additionally, the Exchange believes that the proposed rule change may result in more, larger sized, and tighter Market Maker quotes being entered on IEX as a result of the more targeted operation of ORP. To the extent quotes are entered, the increased liquidity would benefit all IEX members and their customers. Moreover, price discovery and price formation will be enhanced on IEX and in the market generally to the benefit of all IEX Members and market participants. Thus, the Exchange believes that application of the rule change is equitable and not unfairly discriminatory.

In addition, the Exchange believes that the conforming edit to the description of the Quote Instability Threshold in subparagraph (2)(e) of Supplementary Material .04 to Rule 23.150(h) to reflect the proposed change to the quote instability determination is consistent with the Act because it will assure that the description is accurate.

Further, the Exchange notes that the ORP is a narrowly-tailored fixed formula specified transparently in IEX rules, that was previously approved by the Commission.[27] The Exchange is not proposing to add any new functionality, but merely to enhance the SEC approved quote instability calculation in a manner designed to reduce the frequency of its impact on Market Maker quotations in circumstances where the Exchange believes that protection from latency arbitrage is less relevant, as described in the Purpose Section. And as proposed, the ORP will continue to be a narrowly-tailored fixed formula specified transparently in IEX's rules. Thus, IEX does not believe that the proposal raises any new or novel issues that have not already been considered by the Commission.

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. To the contrary, as discussed in the Statutory Basis section, the proposal is designed to enhance competition by incentivizing additional liquidity on IEX Options.

With regard to intra-market competition, the proposed changes to the reference data used by the ORP would apply equally to all Market Makers on a fair, impartial and nondiscriminatory basis without imposing any new burdens because ORP enablement is an optional risk mitigation mechanism available for Market Makers to use at their discretion. With respect to market participants seeking to execute against an IEX Market Maker quotation, the proposed change will apply on a fair, impartial and nondiscriminatory basis without imposing any new burdens because the proposed change

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[27] See Securities Exchange Act Release No. 103998 (September 18, 2025), 90 FR 45861 (September 23, 2025) (SR-IEX-2025-02) (SEC Approval Order).

is designed to more narrowly tailor the circumstances where ORP acts on a Market Maker quotation. The Exchange further believes that the proposed rule change is consistent with the Commission's approval of the ORP which found that "the [ORP] is reasonably designed to target firms engaged in latency arbitrage… will not be overbroad in its application and… generally should not affect market participants not engaged in latency arbitrage or adversely affect the functioning of the options market but rather will 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."[28] As discussed in the Purpose and Statutory Basis sections, the proposed rule change is designed to merely provide a narrowly-tailored enhancement to the ORP; therefore, no new burdens are being proposed.

With regard to inter-market competition, other exchanges are free to adopt similar quote instability calculations subject to the SEC rule filing process.

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 has designated this rule filing as non-controversial under Section

[28] See supra note 27 at 45872.

19(b)(3)(A) of the Act[29] and paragraph (f)(6) of Rule 19b-4 thereunder.[30] 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 if consistent with the protection of investors and the public interest. In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.[31]

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4[32] because it would neither significantly affect the protection of investors or the public interest nor impose any significant burden on competition. Rather, the proposed rule change is designed to benefit investors through a minor enhancement to ORP as described in the Purpose and Statutory Basis sections.

Accordingly, the Exchange believes that this proposed rule does not raise any new or novel issues not already considered by the Commission. Accordingly, the Exchange believes that the proposed rule change is noncontroversial and satisfies the requirements of Rule 19b-4(f)(6).[33]

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29 15 U.S.C. 78s(b)(3)(A).

30 17 CFR 240.19b-4(f)(6).

31 17 CFR 240.19b-4(f)(6)(iii).

32 17 CFR 240.19b-4(f)(6).

33 17 CFR 240.19b-4(f)(6).

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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 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-2026-48)

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Supplementary Material .04 to IEX Rule 23.150(h) to Incrementally Optimize the Proprietary Mathematical Calculation Used to make Quote Instability Determinations for Certain Market Maker Quotes.

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 Supplementary Material .04 to IEX Rule 23.150(h) to incrementally optimize the proprietary mathematical calculation used to make quote instability determinations for certain Market Maker quotes. The Exchange has designated this proposal as non-controversial and provided the Commission with

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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.

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 https://www.iex.io/resources/regulation/rule-filings and at the principal office of the Exchange.

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 statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend Supplementary Material .04 to IEX Rule 23.150(h) to incrementally optimize the proprietary mathematical calculation used to make quote instability determinations for certain Market Maker quotes. The change is designed to more narrowly tailor the impact of the quote instability threshold calculation, which determines whether the Exchange's Options Risk Parameter ("ORP") is triggered. Specifically, while keeping all other calculations the same, the Exchange proposes that the quote instability threshold be calculated based on the quoted spread of the options series rather than one side of that quoted spread.

Description of the Options Risk Parameter

Pursuant to IEX Rule 23.150(h), IEX Options offers Market Makers the ORP, which a

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[6] 17 CFR 240.19b-4(f)(6)(iii).

Market Maker can elect to apply to a quotation that rests on the Order Book at the price designated by the Market Maker that entered the quotation.[7] When the ORP is triggered based on pre-defined criteria in IEX rules, the relevant quotation(s) is adjusted or canceled in the manner specified in IEX rules.[8]

As described in the Options Rule Filing, the ORP leverages IEX's proprietary mathematical formula, which is a fixed formula specified transparently in IEX's rules, to assess whether there is a material dislocation between the current best Protected Bid[9] ("PBB") or Protected Offer[10] ("PBO") (and collectively the "PBBO") of the options Away Markets[11] and the price of the underlying security that is indicative that the option quotes' prices are likely stale and in the process of imminently transitioning to an adverse price (i.e., the best Protected Offer of the Away Markets to a higher price or the best Protected Bid of the Away Markets to a lower price).[12]

As described in the Options Rule Filing, the ORP is designed to protect Market Makers from excessive risk due to execution of quotes at stale prices (i.e., before the Market Maker can update them in response to changed market data) that can be exploited by latency arbitrage strategies. The ORP utilizes real time relative quoting activity of protected quotations from the

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7 The purpose and operation of the ORP is described in the Exchange's filing to adopt rules governing the trading of Options. See Securities Exchange Act Release No. 103290 (June 18, 2025), 90 FR 26865, 26878 (June 24, 2025) (SR-IEX-2025-02) (Notice of Filing of Amendment No. 3 to a Proposed Rule Change To Adopt Rules To Govern the Trading of Options on the Exchange for a New Facility Called IEX Options) (the "Options Rule Filing").

8 See IEX Rule 23.150(h).

9 See IEX Rule 28.100(a)(19).

10 See IEX Rule 28.100(a)(19).

11 See IEX Rule 22.160(a)(7).

12 See IEX Rule 23.150(h).

Signal Exchanges (as defined in IEX Rule 11.190(g)) in securities underlying each listed options series and a proprietary mathematical calculation (the "quote instability calculation"), as described in more detail in the Options Rule Filing and below, to assess the impact of a price change in the underlying on the price of a particular options series.[13] When the quote instability calculation identifies that a dislocation between options prices and the underlying security price is sufficiently material in a particular listed options series, it generates a quote instability determination.[14] If a Market Maker has elected that its quotations be subject to the ORP and its bid (offer) quote is above (below) the price level of the quote instability determination, the System will either cancel the quote or reprice it to the price level of the quote instability determination, as instructed by the Market Maker.[15]

Proposal

In the months leading to launch, after soliciting input from market participants of the predicted efficacy of ORP, the Exchange identified an area for optimization to more narrowly tailor when ORP makes a quote instability determination. Specifically, without modifying any other aspect of the ORP calculation, the Exchange proposes to contextualize the quote instability determination in relation to the difference between the PBO and PBB. The Exchange believes the proposed change will optimize the ORP to impact circumstances that are more impactful, particularly in options series with narrow spreads, which present relatively greater risk for adverse selection.[16] IEX believes that this proposed approach is a commonsense enhancement to

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13 See Supplementary Material .04 to IEX Rule 23.150(h).

14 See IEX Rule 23.150(h)(1)(A).

15 See IEX Rule 23.150(h)(1)(C).

16 The Exchange understands that the risks related to potential adverse selection to a Market Maker are generally heightened if the amount of the dislocation is a larger percentage of the options spread.

the ORP because it would restrain ORP protection to tighter markets without unnecessarily acting on other Market Maker quotes in wider markets, which have less risk of adverse selection.

To effectuate this enhancement to the ORP, IEX proposes making the following changes to the ORP rules:

- In subparagraph (2)(c) of Supplementary Material .04 to Rule 23.150(h), which describes when the ORP will generate a quote instability determination that the price for an option is likely to imminently increase, modify the formula to replace "quote_instability_factor_up[17]", which compares the price change of the underlying to the PBO of the options series, with "(delta_absolute_value[18] times the absolute value of underlying_change[19]) divided by (instrument_PBO_lagged – instrument_PBB_lagged[20])" so that it now reads:

    - Model will generate a quote instability determination "up" at a price level equal to instrument_PBO_lagged * (1+quote_instability_factor_up), rounded to the nearest MPV, if (delta_absolute_value*|underlying_change|) / (instrument_PBO_lagged - instrument_PBB_lagged) > Quote

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17 "quote_instability_factor_up" is defined as: "if contract = Call, delta_call * underlying_change_up/instrument_PBO_lagged, else, delta_put * underlying_change_down/instrument_PBO_lagged" See subparagraph (2)(a) to Supplementary Material .04 to Rule 23.150(h).

18 "delta_absolute_value" is defined as "if contract = Call, delta_call, else |delta_put|." See subparagraph (1)(p) to Supplementary Material .04 to Rule 23.150(h).

19 "underlying_change" is defined as the underlying_price – underlying_price_lagged. See subparagraph (1)(e) to Supplementary Material .04 to Rule 23.150(h). "Underlying_price" is defined as the midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges for the underlying security, and "underlying_price_lagged" is defined as the midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges for the underlying security U_TIME_WINDOW milliseconds prior OR U_UPDATE_WINDOW updates ago, whichever is more recent. See subparagraphs (1)(a) and (1)(b), respectively, to Supplementary Material .04 to Rule 23.150(h). The U_TIME_WINDOW and U_UPDATE_WINDOW are variables that are used to measure the lookback period for assessing changes to the underlying price, which have fixed defined values. See subparagraphs (1)(c) and 1(d) to Supplementary Material .04 to Rule 23.150(h).

20 "instrument_PBB_lagged" and "instrument_PBO_lagged" are defined as the value of the PBB or PBO, respectively, for the instrument U_TIME_WINDOW milliseconds prior or U_UPDATE_WINDOW updates ago, whichever is more recent. See subparagraph (1)(r) to Supplementary Material .04 to Rule 23.150(h). Thus, instrument_PBO_lagged – instrument_PBB_lagged represents the spread of the option prior to the price change of the underlying.

Instability Threshold[21] and delta_absolute_value is within Delta Bound Band[22]

- In subparagraph (2)(d) of Supplementary Material .04 to Rule 23.150(h), which describes when the ORP will generate quote instability determinations that the price for an option is likely to imminently decrease, modify the formula to replace "quote_instability_factor_down[23]" with "(delta_absolute_value times the absolute value of underlying_change) divided by (instrument_PBO_lagged – instrument_PBB_lagged)" so that it now reads:

    - Model will generate a quote instability determination "down" at a price level equal to instrument_PBB_lagged * (1-quote_instability_factor_down), rounded to the nearest MPV, if (delta_absolute_value*|underlying_change|) / (instrument_PBO_lagged - instrument_PBB_lagged) > Quote Instability Threshold[24] and delta_absolute_value is within Delta Bound Band

- In subparagraph (2)(e) of Supplementary Material .04 to Rule 23.150(h), which defines the Quote Instability Threshold, change the reference to "the then-current price" to refer to the "instrument_PBO_lagged – instrument_PBB_lagged" so that it now reads:

    - Quote Instability Threshold: To be periodically determined by the Exchange within a range of 0% – 100%, reflecting the difference between the quote instability determination price level and the then-current price of the option as a percent of the instrument_PBO_lagged - instrument_PBB_lagged of the option. The current Quote Instability Threshold is 0.5%. If the Exchange determines to change the Quote Instability Threshold, based on its assessment of relevant factors that would optimize application of the ORP, it will submit a rule filing pursuant to Rule 19b-4(f) under the Exchange Act specifying a new

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21 As described, infra, the Quote Instability Threshold is defined in subparagraph (2)(e) to Supplementary Material .04 to Rule 23.150(h) and is one of three aspects of the ORP IEX proposes to modify in this rule change proposal.

22 Delta Bound Band is a range specified in subparagraph (1)(q) to Supplementary Material .04 to Rule 23.150.

23 "quote_instability_factor_down" if contract = Call, -1*delta_call * underlying_change_down/instrument_PBB_lagged, else, -1*delta_put * underlying_change_up/instrument_PBB_lagged See subparagraph (2)(b) to Supplementary Material .04 to Rule 23.150(h).

24 As described, infra, the Quote Instability Threshold is defined in subparagraph (2)(e) to Supplementary Material .04 to Rule 23.150(h) and is one of three aspects of the ORP IEX proposes to modify in this rule change proposal.

Quote Instability Threshold.

Under the current formula, the ORP assesses the materiality of the predicted move only through the value of the PBB or the PBO (depending on the direction of the underlying move). [25] Under the proposed formula, the ORP would assess the materiality of the predicted move through the width of the PBBO. The following examples demonstrate the manner in which these proposed changes will affect the ORP. For each example, assume a call option has a 0.50 delta.[26] Assume that the ORP detects a price move up of the midpoint of the underlying security by $0.10. Accordingly, any offer in a call option would be predicted to move up by $0.05.

Example 1:

Option PBBO	Spread	Current value $0.05 ÷ PBO	Proposed value $0.05 ÷ spread
$1.00–$2.00	$1.00	2.50%	5.00%
$15.00–$15.10	$0.10	0.33%	50.00%

The current method assigns the larger ratio to the lower-priced option, even though its spread is ten times wider. The proposed method reverses that ranking: the predicted move is 5% of the wide spread and 50% of the narrow spread. The narrower market would therefore be more sensitive to an ORP trigger for a given underlying move.

Example 2:

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25 The Exchange notes that a determination as to whether action is taken by the ORP is in relation to the Quote Instability Threshold, which can be set from 0% to 100% as determined by the Exchange. While the current Quote Instability Threshold is set at 0.5%, the Exchange anticipates making a filing pursuant to Rule 19b-4(f) under the Exchange Act to change the Quote Instability Threshold prior to implementation of this proposed rule change. For purposes of evaluating the examples set forth herein, the Exchange anticipates setting the Quote Instability Threshold to 30%.

26 "Delta" is a measure of the sensitivity of the theoretical price of an option to changes in the price of the underlying security, holding other factors constant.

Option PBBO	Spread	Current value $0.05 ÷ PBO	Proposed value $0.05 ÷ spread
$1.00–$1.10	$0.10	4.55%	50.00%
$15.00–$15.10	$0.10	0.33%	50.00%

The disparity in protection is greater illustrated when options series have the same spread widths. The current method gives the same predicted price increase less weight at the higher option price. However, the proposed method assigns both cases the same 50% ratio. Thus, with the remaining conditions held equal, both series would have the same sensitivity to an up determination, making protection consistent across option series when the spread and predicted change are the same.

IEX understands that Market Makers generally assess their risks related to a potential latency arbitrage "pick off" (i.e., when another market participants executes against its quote before the Market Maker has adjusted its quote) based on the degree to which a pick off would exhaust its quoted spread up to its midpoint. IEX thus believes that the ORP's protections are making evaluations based upon a reference that is suboptimal in determining materiality.

Example 3:

Option PBBO	Spread	Current value $0.05 ÷ PBB	Current value $0.05 ÷ PBO	Proposed value $0.05 ÷ spread
$8.00–$12.10	$4.10	0.63%	0.41%	1.22%

This more extreme example provides an opportunity to see how ORP currently provides uneven results by basing materiality on price of the PBB or PBO. The above example provides a market that is $4.10 wide. However, ORP impact will be different when it detects a $0.10 price move of the midpoint of the underlying security depending on whether that move is up or down.

Even though it is the same PBBO and same delta and even though there is the same amount of expected price change ($0.05), currently ORP will trigger a price instability determination for the bid (in a down move) but not for the offer (in a comparable up move). The proposed change would maintain the same treatment for the bid and the offer based on comparable moves.[27]

IEX is not proposing any changes to the other values, reference prices, or inputs to the ORP. The rest of the mathematical calculations relating to existing ORP rules will continue to operate in the same manner as currently specified.

Implementation

The Exchange will announce the implementation date of the proposed rule change by Trading Alert at least ten days in advance of such implementation date and within 90 days of effectiveness of this proposed rule change.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with Section 6(b)[28] of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act,[29] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. As discussed in the Purpose section, the proposed change is designed to incrementally

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27 For the purposes of this example and as set forth in footnote 25, with the anticipated Quote Instability Threshold set at 30%, ORP would not impact either the bid or offer given the wide market.

28 15 U.S.C. 78f(b).

29 15 U.S.C. 78f(b)(5).

enhance the effectiveness of the ORP in providing narrowly-tailored protection from adverse selection associated with latency arbitrage during periods of quote instability.

Further, as noted in the Purpose section, IEX believes this is a commonsense enhancement and expects that it will further constrain the times that ORP seeks to impact a resting Market Maker quote. Thus, the Exchange believes that the proposed change is consistent with the Act because it narrowly tailors and targets ORP to tightly quoted markets where protection from adverse selection associated with latency arbitrage is most applicable.

Additionally, the Exchange believes that the proposed rule change may result in more, larger sized, and tighter Market Maker quotes being entered on IEX as a result of the more targeted operation of ORP. To the extent quotes are entered, the increased liquidity would benefit all IEX members and their customers. Moreover, price discovery and price formation will be enhanced on IEX and in the market generally to the benefit of all IEX Members and market participants. Thus, the Exchange believes that application of the rule change is equitable and not unfairly discriminatory.

In addition, the Exchange believes that the conforming edit to the description of the Quote Instability Threshold in subparagraph (2)(e) of Supplementary Material .04 to Rule 23.150(h) to reflect the proposed change to the quote instability determination is consistent with the Act because it will assure that the description is accurate.

Further, the Exchange notes that the ORP is a narrowly-tailored fixed formula specified transparently in IEX rules, that was previously approved by the Commission.[30] The Exchange is not proposing to add any new functionality, but merely to enhance the SEC approved quote

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[30] See Securities Exchange Act Release No. 103998 (September 18, 2025), 90 FR 45861 (September 23, 2025) (SR-IEX-2025-02) (SEC Approval Order).

instability calculation in a manner designed to reduce the frequency of its impact on Market Maker quotations in circumstances where the Exchange believes that protection from latency arbitrage is less relevant, as described in the Purpose Section. And as proposed, the ORP will continue to be a narrowly-tailored fixed formula specified transparently in IEX's rules. Thus, IEX does not believe that the proposal raises any new or novel issues that have not already been considered by the Commission.

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. To the contrary, as discussed in the Statutory Basis section, the proposal is designed to enhance competition by incentivizing additional liquidity on IEX Options.

With regard to intra-market competition, the proposed changes to the reference data used by the ORP would apply equally to all Market Makers on a fair, impartial and nondiscriminatory basis without imposing any new burdens because ORP enablement is an optional risk mitigation mechanism available for Market Makers to use at their discretion. With respect to market participants seeking to execute against an IEX Market Maker quotation, the proposed change will apply on a fair, impartial and nondiscriminatory basis without imposing any new burdens because the proposed change is designed to more narrowly tailor the circumstances where ORP acts on a Market Maker quotation. The Exchange further believes that the proposed rule change is consistent with the Commission's approval of the ORP which found that "the [ORP] is reasonably designed to target firms engaged in latency arbitrage… will not be overbroad in its application and… generally should not affect market participants not engaged in latency arbitrage or adversely affect the functioning of the options market but rather will 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."[31] As discussed in the Purpose and Statutory Basis sections, the proposed rule change is designed to merely provide a narrowly-tailored enhancement to the ORP; therefore, no new burdens are being proposed.

With regard to inter-market competition, other exchanges are free to adopt similar quote instability calculations subject to the SEC rule filing process.

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)[32] of the Act and Rule 19b-4(f)(6)[33] thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

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

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31 See supra note 30 at 45872.

32 15 U.S.C. 78s(b)(3)(A).

33 17 CFR 240.19b-4(f)(6).

Commission shall institute proceedings under Section 19(b)(2)(B)[34] 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 (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-IEX-2026-48 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-IEX-2026-48. This file number should be included on 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 (https://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

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[34] 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to file number SR-IEX-2026-48 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[35]

Sherry R. Haywood,

Assistant Secretary.

[35] 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

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INVESTORS EXCHANGE RULE BOOK

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CHAPTER 23. MARKET PARTICIPANTS

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Rule 23.150. Market Maker Quotations

(a)–(h) No change.

• • • Supplementary Material • • •

.01 - .03 No change.

.04 Quote instability calculation.

(1) Sensitivity Parameter. The Exchange's proprietary quote instability calculation used to determine the sensitivity parameter for an options series is defined by the following formula that utilizes the variables defined below:

(a) underlying_price: midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges for the underlying security

(b) underlying_price_lagged: midpoint of the best Protected Bid and best Protected Offer of the Signal Exchanges for the underlying security U_TIME_WINDOW milliseconds prior OR U_UPDATE_WINDOW updates ago, whichever is more recent.

(c) U_TIME_WINDOW : 20

(d) U_UPDATE WINDOW : 100

(e) underlying_change: underlying_price - underlying_price_lagged

(f) underlying_change_down: underlying_change if negative, otherwise 0

(g) underlying_change_up: underlying_change if positive, otherwise 0

(h) strike_price: strike price of the options series

(i) contract: options series is a Call or Put

(j) time_to_expiry: fraction of regular market hours left in trading day plus dates til expiry for the instrument, annualized (divided by 365), with a minimum value of TTE_MIN := 0.00005

(k) implied_volatility: function of strike_price, time_to_expiry, contract, underlying_price, and price of the options series. See Supplementary Material .05.

(l) delta_intermediate:

$$\frac{ln(\frac{\text{underlying_price}}{\text{strike_price}}) + \frac{\text{time_to_expiry} * \text{implied_volatility}^2}{2}}{\text{implied_volatility} * \sqrt{\text{time_to_expiry}}}$$

(m) delta_call: cdf_approximation(delta_intermediate) -

*(n) cdf_approximation(x):= 1 / (1 + exp(-1.65451*x))*

(o) delta_put: delta_call – 1

(p) delta_absolute_value: if contract = Call, delta_call, else |delta_put|

(q) Delta Bound Band: To be periodically determined by the Exchange at or within a range of 0 – 1. The current Delta Bound Band is 0.30 – 1.00. If the Exchange determines to change the Delta Bound Band, based on its assessment of relevant factors that would optimize application of the ORP, it will submit a rule filing pursuant to Rule 19b-4(f) under the Exchange Act specifying a new Delta Bound Band.

(r) instrument_PBB/PBO_lagged: value of PBB/PBO for the instrument U_TIME_WINDOW milliseconds prior or U_UPDATE_WINDOW updates ago, whichever is more recent.

(2) Upon an update to the best Protected Bid or best Protected Offer of the Signal Exchanges for the underlying security, the System performs the following calculations:

*(a) quote_instability_factor_up: if contract = Call, delta_call * underlying_change_up/instrument_PBO_lagged, else, delta_put * underlying_change_down/instrument_PBO_lagged*

*(b) quote_instability_factor_down: if contract = Call, -1*delta_call * underlying_change_down/instrument_PBB_lagged, else, -1*delta_put * underlying_change_up/instrument_PBB_lagged*

(c) Model will generate a quote instability determination "up" at a price level equal to:

instrument_PBO_lagged(1+quote_instability_factor_up), rounded to the nearest MPV, if [quote_instability_factor_up] (delta_absolute_value*|underlying_change|) /*

(instrument_PBO_lagged - instrument_PBB_lagged) > Quote Instability Threshold and delta_absolute_value is within Delta Bound Band

(d) Model will generate a quote instability determination "down" at a price level equal to:

instrument_PBB_lagged(1-quote_instability_factor_down), rounded to the nearest MPV, if [quote_instability_factor_down] (delta_absolute_value*|underlying_change|) / (instrument_PBO_lagged - instrument_PBB_lagged) > Quote Instability Threshold and delta_absolute_value is within Delta Bound Band*

(e) Quote Instability Threshold: To be periodically determined by the Exchange within a range of 0% – 100%, reflecting the difference between the quote instability determination price level and the then-current price of the option as a percent of [the then-current price] instrument_PBO_lagged - instrument_PBB_lagged of the option. The current Quote Instability Threshold is 0.5%. If the Exchange determines to change the Quote Instability Threshold, based on its assessment of relevant factors that would optimize application of the ORP, it will submit a rule filing pursuant to Rule 19b-4(f) under the Exchange Act specifying a new Quote Instability Threshold.

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