



## **Investors Exchange Regulatory Information Circular 2018 – 0001**

**Date:** January 08, 2018

**To:** Members of Investors Exchange LLC

**Re:** Mandatory Participation in Disaster Recovery Testing Pursuant to Regulation SCI

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Investors Exchange LLC (“IEX”) Rule 2.250, entitled “Mandatory Participation in Testing of Backup Systems” was adopted in connection with Regulation Systems Compliance and Integrity (“Regulation SCI”) and establishes business continuity and disaster recovery plans (“BC/DR plans”) testing requirements for certain IEX Members.

### **Regulation SCI**

Regulation SCI requires SCI entities, including IEX, to maintain business continuity and disaster recovery plans that provide for resilient and geographically diverse backup and recovery capabilities that are reasonably designed to achieve next business day resumption of trading and two-hour resumption of critical SCI systems following a wide-scale disruption.<sup>1</sup>

Regulation SCI also requires SCI entities to require certain Members to participate in business continuity and disaster recovery testing in a manner specified by IEX and at a frequency of not less than once every 12 months. Pursuant to Regulation SCI, IEX is required to establish standards for the designation of Members that IEX reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that IEX’s business continuity and disaster recovery plans are activated.

### **Designation Criteria**

IEX Rule 2.250 governs mandatory participation in testing of IEX’s backup systems. IEX has designated Members that account for three (3) percent or more of executed volume on IEX, measured on quarterly basis, as required to connect to IEX’s backup system in Chicago and participate in functional and performance testing of such system as announced by IEX, which shall occur at least once every 12 months.

While IEX mandates that certain Members connect to its backup system, all Members are permitted and encouraged to connect to the Exchange’s backup system and participate in testing of such system.

### **Notification and Applicability**

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<sup>1</sup> See Securities Exchange Act Release No. 73639 (November 19, 2014), 79 FR 72252 (December 5, 2014) (“SCI Adopting Release”).



Pursuant to paragraph (c) of Rule 2.250, IEX will provide written notification to designated Members quarterly based on the prior calendar quarter's volume on IEX. Designated Members not currently connected to IEX's backup System shall have until the next calendar quarter before such requirements are applicable.

Members that received a notice of designation from the Exchange pursuant to the criteria described above in the third or fourth quarter of the previous calendar year and did *not* participate in functional and performance testing in such year, as well as Members that receive a notice of designation from the Exchange pursuant to the criteria described above in the first or second quarter of the current calendar year, are required to connect to IEX's backup system in Chicago, and participate in functional and performance testing of such system as announced by IEX, which shall occur at least once every 12 months. IEX will conduct such testing during the planned SIFMA industry-wide test in October. IEX will circulate further information regarding the test at a later date.

**Designation Periods for the 2018 Regulation SCI Industry-wide Test**

<b>Notice in Q3 2017</b>	<b>Notice in Q4 2017</b>	<b>Notice in Q1 2018</b>	<b>Notice in Q2 2018</b>
<b>Designated based on Q2 17' data, and required to test</b>	Designated based on Q3 17' data, and required to test	Designated based on Q4 17' data, and required to test	Designated based on Q1 18' data, and required to test

Please contact Market Operations at 646-343-2300 with any inquiries regarding this Information Circular.