

LEGAL DEPARTMENT

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December 24, 2015

Brent J. Fields, Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

Re: **Release No. 34-75925; File No. 10-222; Investors' Exchange, LLC; Notice of Filing of Application, as Amended, for Registration as a National Securities Exchange under Section 6 of the Securities Exchange Act of 1934**

Dear Mr. Fields:

T. Rowe Price<sup>1</sup> is pleased to submit this letter in support of the Investors' Exchange, LLC ("IEX") application under the Securities Exchange Act of 1934 (the "Exchange Act") seeking registration as a national securities exchange with the Securities and Exchange Commission (the "Commission"). We believe IEX offers a market solution at reducing some of the structural inefficiencies in the market with the ultimate goal of protecting the long-term investor. With its simplicity, transparency, and lack of rebate inducements IEX allows all market participants to trade on its venue on fair, equal and balanced terms.

One of IEX's unique features, which has come under heavy scrutiny, is its Point of Presence ("POP") or use of a 350 microsecond buffer ("speed bump") to eliminate the speed and information advantage enjoyed by certain highly sophisticated market participants. The 350 microsecond delay provides IEX the ability to update the prices of resting orders that are pegged to the national best bid or offer ("NBBO"), the midpoint of the NBBO, or some offset from the NBBO, before market participants with faster access to market data can access those now stale prices on IEX.

The following example, provided in Hudson River Trading LLC's December 4, 2015 comment letter<sup>2</sup> attempts to illustrate how the POP disadvantages Member B, but we would argue instead that it is to the benefit of Member A:

- Member B and IEX see a quote update on another exchange in which the best offer goes from 20.00 to 20.01 that would lead them each to take action.

<sup>1</sup> T. Rowe Price Associates, Inc., a wholly-owned subsidiary of T. Rowe Price Group, Inc., together with its advisory affiliates, had \$725.5 billion of assets under management as of September 30, 2015. T. Rowe Price has a diverse, global client base, including institutional separate accounts; T. Rowe Price sponsored and sub-advised mutual funds, and high net worth individuals. The T. Rowe Price group of advisers includes T. Rowe Price Associates, Inc., T. Rowe Price International Ltd, T. Rowe Price Hong Kong Limited, T. Rowe Price Singapore Private Ltd., T. Rowe Price (Canada), Inc., and T. Rowe Price Advisory Services, Inc.

<sup>2</sup> Securities and Exchange Commission. (2015) *Comment Letter Re: Investor's Exchange LLC Form 1 Application* (Release No. 34-75925; File No. 10-222. Washington DC: Adam Nunes, Hudson River Trading LLC

- Member A has a non-displayed primary peg order that is available to sell at 20.00 on IEX, where IEX manages the price of pegged orders on behalf of members (primary peg sell orders peg to the best offer).
- Member B responds to the price change in 100 microseconds by sending a marketable IOC buy limit order at 20.00 to IEX to trade with Member A.
- Only Member B will go through the POP, adding 350 microseconds to its order. The result is that Member B's order message reaches the IEX matching engine in 450 microseconds.
- IEX does not go through the POP and therefore it is able to update the price of the pegged order to 20.01 before Member B reaches the matching engine. As such, no trade occurs.

We believe the above example is an exact depiction of latency arbitrage, the very thing that IEX is trying to protect investors from. We also believe the bigger issue in the market is the ability of highly sophisticated "market makers" deciphering quote changes through the use of direct feeds and responding within 100 microseconds to hopefully transact against an institutional trading firms' "stale" orders. The "speed bump" ensures that no market participants can take such action on IEX in reaction to changes in market prices before IEX is aware of the same price changes on behalf of all IEX members. Effectively, the institutional hidden resting order is repriced before it was executed at an inferior price.

While some market participants may view this "speed bump" innovation as detrimental to markets, we would argue that it certainly meets the standards outlined in the Securities Exchange Act of 1934 (the "Exchange Act") by protecting investors, competition and capital formation.

While we understand that when the Commission adopted Regulation NMS, it stated that "to be protected [under Rule 611] a quotation must be immediately and automatically accessible"<sup>3</sup> and further explained that "the term 'immediate' precludes any coding of automated systems or other type of intentional device that would delay the action taken with respect to a quotation.", the Commission must consider the intent of such a delay. In this case IEX is trying to "level the playing field" by discouraging predatory behavior and not offering the benefits some market participants have long enjoyed. It seems disingenuous to us that those who are already effectually dealing with "delayed" market centers (whether related to the distance between datacenters or the lag between SIP and proprietary feeds) find the delay created by IEX as overly unfair and complex.

If the SEC rules to not approve the "speed bump", or deems IEX quotes are not protected due to the delay, we would strongly encourage the Commission to articulate the extent of permissible delays (intentional, geographical or technological) that would be considered consistent with the Exchange Act, including Regulation NMS thereunder, for registered exchanges. From our understanding the IEX delay is consistent with existing practices already approved by the SEC (specifically the coiling of fiber-optic cable within datacenters to introduce latency to certain

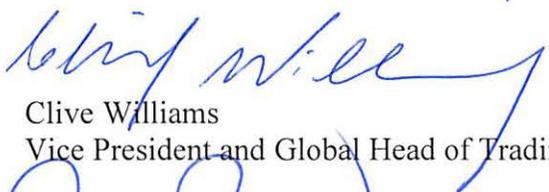
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<sup>3</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005) ("Regulation NMS Adopting Release).

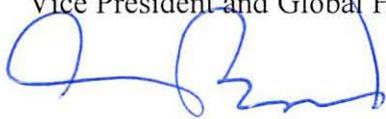
members). Further, we note that there are slower venues operating today, even without the intended slowing mechanisms employed by IEX.

In conclusion, we are in support of IEX's application under the Exchange Act seeking registration as a national securities exchange with the Commission. We appreciate the opportunity to provide our comments on this matter. Should you have any questions regarding our letter, please contact the undersigned.

Sincerely,



Clive Williams  
Vice President and Global Head of Trading



Andrew M. Brooks  
Vice President and Head of U.S. Equity Trading



Christopher P. Hayes  
Vice President and Legal Counsel