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

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

Dear Mr. Fields:

Goldman, Sachs & Co. ("Goldman Sachs") appreciates the opportunity to comment on the national securities exchange application of Investors Exchange, LLC ("IEX"), which has been submitted to the U.S. Securities and Exchange Commission ("SEC" or "Commission"). We support IEX's application to become a stock exchange because we believe that the approval of the application is consistent with the broader goal of enhancing the quality of equity markets.[1] We recognize that IEX's innovative model and its approach to pricing, execution and post-trade analysis, as discussed more fully below, has highlighted various issues related to the ongoing equities market structure debate. In our view, this debate presents the Commission with a timely opportunity to address broader market structure issues.

The IEX Application

The U.S. equities marketplace is one of the most efficient and liquid securities markets in the world. It is a product of constantly evolving regulation and technological innovation. However, this evolution has also generated certain unintended consequences, including more complexity and fragmentation through non-differentiated exchanges and increased reliance on communication infrastructure.

Regulation National Market System ("NMS"), amongst other regulations, ushered in an era of automated trading and quoting. As exchanges facilitated trade matching based on price-time priority, access speed emerged as the primary differentiator in the marketplace. Participants

[1] Please note that Goldman Sachs is not an investor in IEX.

responded by optimizing the geographic location of their servers and building infrastructure that leveraged faster market data feeds as well as advanced hardware and connectivity. These changes have effectively placed others with less sophisticated infrastructure at a disadvantage.

We believe that IEX, as an exchange, will offer an alternative venue for market participants who value attributes other than the fastest venue access speed, as well as clients looking to trade in larger block sizes. We recognize that, in addition to being a genuine alternative execution venue for clients, IEX has driven innovation in other important areas, such as by providing its market participants with a simplified one-price fee structure, rather than the standard maker/taker rebate/fee model, as well as detailed post-trade analysis to help their clients better understand and improve their execution experience.

Broader Equity Market Structure Issues

IEX's application has served as a catalyst in highlighting a number of other issues related to the broader equity market structure.

With the adoption of Regulation NMS, exchanges established broker-dealer routing entities as a means to route to protected markets in compliance with Rule 611. Since that time, these exchange-affiliated routing broker-dealers have continued to expand their service models, notwithstanding their regulatory status as facilities of exchanges. As highlighted in various letters filed by the Securities Industry and Financial Markets Association ("SIFMA"), this regulatory disparity has led to perceived conflicts of interest, blurring the distinction between the public operations of exchanges and the operations of their affiliated routing broker-dealers.[2] For example, we are concerned that exchange-affiliated routing broker-dealers may have access to and use the proprietary market data of the exchange to benefit their own order routers. Consistent with the themes raised by the industry in the SIFMA letters, we urge the Commission to undertake a review of the structure and operations of exchanges to ensure that there are adequate regulations enforcing the arms-length separation between their operations as public exchanges and those as non-public broker-dealers.

Another issue that has resurfaced with the filing of the IEX application is the impact of Regulation NMS's emphasis on price-time priority, which has created incentives that favor speed over other factors such as operational safety. To be clear, we do not believe the speed of trading, in isolation, is a problem. However, speed, coupled with U.S. equity market fragmentation of non-differentiated exchanges, has resulted in an overly complicated marketplace. The U.S. equities markets are mature and move in sub-thousandths of seconds, which forces firms like ours to invest in lower latency technology to remain competitive. However, the value to investors from this non-stop race for faster speeds may have reached a point of diminishing marginal returns for market efficiency and stability.

[2] See SIFMA Letter, Exemptions for Certain Exchange Members, File No. S7-05-15 (June 1, 2015) ; SIFMA Letter Proposed national Market Plan to Implement a Tick Size Pilot Program on a One Year Basis, File No. 4-657: Joint Industry Plan (December 22, 2014); SIFMA Letter, Self-Regulatory Structure of the Securities Markets (July 31, 2013); SIFMA Letter NASDAQ Benchmark Orders, File No. SR-NASDAQ-2012-059 (October 5, 2012).

In a 2014 Op-Ed in *The Wall Street Journal*, our President and Chief Operating Officer, Gary Cohn, articulated concerns related to equity market structure and offered specific principles that could mitigate risk and contribute to a safer, more equitable market infrastructure.

Consistent with Mr. Cohn's themes, we encourage the Commission and other regulators to achieve the following:

- **Encourage best execution guidance clarifying that factors other than "immediate" price-time priority should serve as incentives.** Best execution guidance should allow market participants more flexibility to select venues that account for factors such as larger trade size or minimizing operational risk. Additional performance metrics such as average trade size, an exchange's average operational uptime or the likelihood of trade breaks based off historical activity should be able to influence the choice of trading venue.

- **Implement a stronger safety net of controls to reduce the magnitude and frequency of market disruptions.** Improving industry coordination to detect and deal with technology issues would result in a more efficient and resilient marketplace. Examples of measures we would support include implementing redundant Securities Information Processors with auto-latency detection mechanisms, normalizing kill switch controls and improved controls for limiting erroneous trades and standardized rule sets across venues for dealing with problems when they occur.

- **Mandate that public market data be disseminated to all market participants simultaneously.** Exchanges currently disseminate prices and transaction data to the SEC-sanctioned distributor for all investors, but exchanges may also send this information directly to private subscribers. While the data leaves the exchange simultaneously, the public stream is delayed because it goes through the intermediary's processing infrastructure. The public aggregator should release information to all market participants at the same time.

Thank you for the opportunity to share our views on IEX's application and broader market issues. We fully support approval of IEX's application to be a stock exchange. In addition, we urge the Commission to address conflicts such as exchange routing and to encourage criteria beyond price and speed as the default working definition of best execution. More broadly, we want to reiterate our hope that the SEC and other regulators will take a holistic approach to market structure rules to ensure that they are keeping pace with, amongst other things, changes in trading technology and innovation.

Sincerely,

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