



December 7, 2015

Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-0609

**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:

Citadel LLC (“Citadel”)<sup>1</sup> recently filed a second comment letter<sup>2</sup> on the Investors’ Exchange, LLC (“IEX” or the “Exchange”) application for registration as a national securities exchange (the “Application”).<sup>3</sup> We have received much positive feedback on that letter for further explaining troubling proposed features of IEX. In particular, market participants are most concerned about the unfair advantage IEX would give to its affiliated broker-dealer. Given these concerns and the significance of the issue, we decided that a brief follow-up comment focused on this issue is warranted.

In an integrated national market system where broker-dealers must access quotations on all exchanges and a variety of other venues, seamlessly routing orders across trading centers is fundamental. Today, brokers-dealers routinely route customer orders to multiple exchanges, and incorporate execution information from each exchange in real-time in the pursuit of best execution. In both theory and in practice, the broker-dealer community is on a level playing field with exchange affiliated routing broker-dealers when routing orders to various venues and incorporating execution information in their routing decisions.

The proposed IEX structure is deliberately designed to eliminate this level playing field by delaying the reporting of execution or other order handling information to all broker-dealers, while allowing the IEX affiliated broker-dealer to operate without any delay. The IEX affiliated

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<sup>1</sup> Established in 1990, Citadel is a leading global alternative asset manager and market maker. With over 1,500 employees, Citadel serves a diversified client base through its offices in the world’s major financial centers, including Chicago, New York, London, Hong Kong, San Francisco, Dallas and Boston. On an average day, Citadel accounts for over 14 percent of U.S. listed equity volume, over 20 percent of U.S. listed equity option volume, and comparable market share in many of the world’s leading financial markets.

<sup>2</sup> See Letter to Brent J. Fields, Secretary, Securities and Exchange Commission, from John C. Nagel, Managing Director and Sr. Deputy General Counsel, Citadel LLC (November 30, 2015).

<sup>3</sup> Available at <https://www.sec.gov/rules/other/2015/investors-exchange-form-1.htm>.

broker-dealer would therefore have a distinct competitive advantage when accessing away markets or instructing IEX to post new orders based upon execution information from IEX's trading platform.<sup>4</sup>

IEX will offer co-location to its members at the IEX point of presence ("POP").<sup>5</sup> In contrast, it appears that IEX will co-locate its affiliated broker-dealer with the IEX primary trading platform, which is at a different geographic location than the IEX POP.<sup>6</sup> If the IEX affiliated broker-dealer is co-located with the IEX primary trading platform, then instructions sent to the IEX affiliated broker-dealer (or from the IEX affiliated broker-dealer to the IEX primary trading platform), would have a speed advantage of at least 350 microseconds over the messages of all other IEX members.<sup>7</sup>

Every broker-dealer should have equal access to all execution information on an equal footing. Exchange mechanisms that structurally favor IEX's own affiliated broker-dealer must not be permitted to become part of today's market structure. If they are, every exchange will, out of commercial self-interest, be compelled to adopt identical or similar features that likewise favor the competitive position of their affiliated broker-dealer. This would further put the commercial interests of exchanges ahead of their regulatory responsibilities and dramatically broaden the role of exchanges at the expense of the broker-dealer members that they regulate. IEX's blatant attempt to corner the market for routing and potentially other services by means of their unfair market structure raises serious concerns for all market participants and undermines the integrity and fairness of the entire U.S. equities market.

The solution to this is straightforward. The Commission should either not permit IEX to delay the dissemination of information about how it handled an order to its members or require that communications with IEX's affiliated broker-dealer pass through the IEX speed bump, just like communications with all other market participants.<sup>8</sup> Moreover, if the IEX affiliated broker-dealer is co-located with the IEX primary trading platform, then all other market participants should have the opportunity to also co-locate with the IEX primary trading platform on commercially reasonable terms. IEX's members should have fair access to information about how IEX handled an order (filled, posted, routed, canceled, *etc.*) without any preferences granted

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<sup>4</sup> See Figure 1 below, which illustrates the proposed IEX structure..

<sup>5</sup> See, Investors Exchange Connectivity Manual, at 1-4 (noting that IEX members can co-locate at the three IEX POPs in Secaucus, Carteret, and Chicago, but not at IEX's primary trading platform in Weehawken, NJ) available at <http://www.iextrading.com/docs/IEX%20Connectivity%20Manual.pdf>.

<sup>6</sup> IEX has not yet disclosed the location of the systems of its affiliated broker-dealer.

<sup>7</sup> IEX has not disclosed enough information about the architecture of the IEX trading system, the IEX router, and how IEX measured the 350 microsecond delay for one to determine whether IEX's affiliated routing broker-dealer could have additional speed advantages in addition to the 350 microsecond delay between the IEX POP and the IEX trading system.

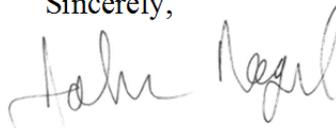
<sup>8</sup> See Figure 2 below, which illustrates an alternative, fair IEX structure.

to the IEX affiliated broker-dealer. Without such changes, market participants will often have little choice but to use the IEX affiliated broker-dealer.

As the size and depth of the comment letter file indicates, the IEX Application presents a number of significant issues. The proposed advantages of the IEX affiliated broker-dealer especially deserve thorough consideration. The Commission should reject these special privileges and preserve the fair and open competition that has made the U.S. equity markets so successful.

Please do not hesitate to contact me with any questions.

Sincerely,

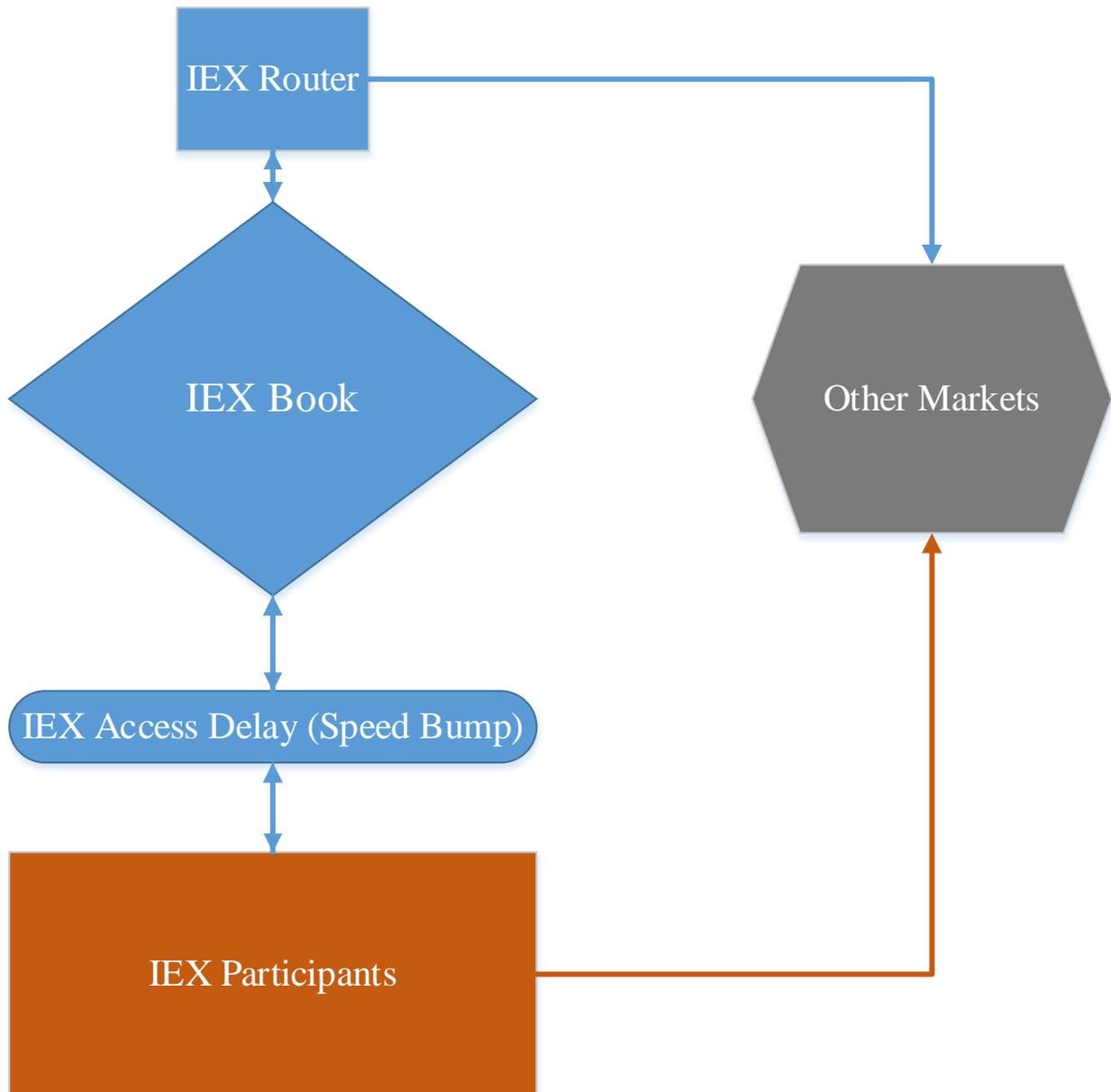


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Citadel LLC

cc: Mary Jo White, Chair  
Luis A. Aguilar, Commissioner  
Kara M. Stein, Commissioner  
Michael S. Piwowar, Commissioner  
Stephen Luparello, Director, Division of Trading & Markets

**Figure 1**

Proposed IEX Structure



**Figure 2**

A Fair IEX Structure

