



February 29, 2016

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

Re: Investors' Exchange LLC Form 1 Application (Release No. 34-75925; File No. 10-222)

Dear Mr. Fields:

Investors' Exchange LLC ("IEX") is filing Amendment No. 2 ("Amendment") to its Form 1 application for registration as a national securities exchange ("Application").

Certain commenters on the Application have claimed that the design and operation of the IEX Router are "unfairly discriminatory" and create a "burden on competition" because the IEX Router does not have to go through a "speed bump" to access the IEX matching engine, thereby giving it an unfair competitive advantage over a third party broker that chooses to route serially to IEX first and then to other markets. These objections rely on the IEX Router being defined as the combination of both the routing logic (which resides in IEX's exchange system) and IEX's routing broker (which acts as courier to away exchanges).

We believe that this new interpretation of a "Router" has not been applied to other exchanges in that their rules clearly require that the exchange must determine the routing logic.¹ However, we have designed a routing solution that satisfies these "edge case" objections while maintaining IEX's ability to protect the interests of investors.

IEX proposes to redesign our Router so that any routable order will first go to IEX's Router and not directly to the IEX matching system. The Router will interact with the IEX matching system over a 350 microsecond speed-bump in the same way an independent third party broker would be subject to a speed bump. Pursuant to the redesign, our Routing logic, when necessary, will have the ability to route to IEX and away exchanges simultaneously utilizing only public information, which will protect the IEX routing member from electronic front running to away exchanges. Because the IEX Router will now interact with the IEX matching system over the speed bump, the IEX routing member's order will be able to access displayed liquidity on away exchanges without interference caused by a trade (or signal) on IEX. In particular, this redesign eliminates any alleged advantage claimed by the commenters that the Router has over a third party broker routing to IEX.

In addition, the IEX Router would receive fill information from the IEX matching engine by way of the speed bump, which would place the IEX Router's ability to receive information from the IEX matching

¹ See, e.g., Rule 4758(b) of the Nasdaq Stock Market, which provides in relevant part that "The Nasdaq Stock Market LLC will determine the logic that provides when, how, and where orders are routed away to other exchanges."



engine on equal terms to an independent broker router. Lastly, the IEX Router would receive IEX quote information (the IEX TOPS feed) over the speed bump, which would place the IEX Router's ability to receive IEX quote information on equal terms to an independent broker router.

Please note that because of the speed bump introduced between the IEX Router and the IEX matching engine, IEX routing members independently choosing to use the IEX Router will experience an additional 350 microseconds of latency as compared to members sending non-routable orders to the IEX matching engine. We do not believe that this modification will have any adverse impact on the performance of the IEX Router, as it has been well documented that some of the best performing Routers in the industry have actually slowed down their fastest routes to increase their client's fill rates.² Moreover, use of the IEX Router is optional and the member thus has the option not to use the IEX Router if it is concerned with 350 microseconds of additional latency. Most importantly, this modification will not compromise our ability to protect IEX member orders from opportunistic traders attempting to trade ahead of IEX members based on speed advantages and information concerning their orders and does not jeopardize our primary goal of investor protection.

This Amendment fully addresses the issues raised in the Application's comment process, including the request to provide disclosure of which IEX functionality traverses the "speed bump," and completes our Form 1 submission. IEX believes that our Application fully complies with the Exchange Act and that the Commission has had sufficient time to review our Application, during this 180-day comment and review process, and should make a finding to approve IEX on March 21, 2016, consistent with the Commission's stated goals of upholding the interests of long-term investors and promoting efficiency, competition and capital formation.

Regards,

Sophia Lee

General Counsel

cc: The Honorable Mary Jo White, Chair
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner
Stephen Luparello, Director, Division of Trading and Markets
Gary Goldsholle, Deputy Director, Division of Trading and Markets
David S. Shillman, Associate Director, Division of Trading and Markets
Richard Holley III, Assistant Director, Division of Trading and Markets
David Grim, Director, Division of Investment Management

² See RBC Capital Markets, *RBC Capital Markets Receives Patent for its THOR® Technology* (July 16, 2013), <https://www.rbccm.com/about/cid-347175.html>.