

# Vontobel

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Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0609

1/2 New York, February 14, 2020

Re: Notice of Filing of Proposed Rule Change to Add a New Discretionary Limit Order Type, Release No. 87814, File No. SR-IEX-2019-15

Dear Ms. Countryman,

Vontobel Asset Management, Inc. ("Vontobel"), an investment adviser registered with the Securities and Exchange Commission (the "Commission"), is pleased to comment on and support IEX's proposed rule change that would add a new Discretionary Limit ("D-Limit") order type to the exchange.<sup>1</sup> As an institutional investor whose clients would benefit from the D-Limit order, Vontobel believes that it is in the public interest for the Commission to approve the D-Limit order type because it will result in real and timely innovation to displayed exchange trading in a manner that would protect investors and gives further confidence in the U.S. securities markets.

As explained in the Proposal, the D-Limit order is a new displayed order type that automatically adjusts to a less aggressive price when the IEX Crumbling Quote Indicator ("CQI") is activated. In doing so, the D-Limit order allows a displayed order to avoid trading at a price that the CQI is predicting will become stale. In our view, this new order type would help to protect the investing public.

Vontobel was an early adopter and supporter of IEX's goal to create a transparent and level playing field that promotes confidence and fairness in the securities markets. Through our broker partners, we are an active user of their flagship D-Peg order type which also uses the CQI signal, and have firsthand experience with how IEX's model protects investors from opportunistic traders. In particular, the enhanced protection of the CQI has directly benefited our clients through greater price improvement and less slippage when executing using the D-Peg order type.

The D-Limit order type proposes to extend these benefits to displayed orders, which is an area of the market driven primarily by the other exchanges' rebate structures. Over the long term, this structure has failed to sustain vibrant displayed trading which would be in the public interest. As a market participant, we have witnessed an ever increasing amount of volume being traded off exchange, which we and others believe has been driven by the poor experience of displaying orders on traditional exchanges.<sup>2</sup>

<sup>1</sup> Notice of Filing of Proposed Rule Change to Add a New Discretionary Limit Order Type, Release No. 87814 (Dec. 20, 2019)("Proposal").

<sup>2</sup> See The Off-Exchange Routing Decision by Hyungil Kye and Bruce Mizrach, August 2019 -- [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3440911](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3440911)

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2/2 Consistent with the protection of investors and the public interest, the D-Limit order specifically seeks to improve the quality of displayed trading for all participants by introducing a 'signal driven' mechanism to protect displayed orders on a level playing field that is accessible to all market participants. Vontobel believes that the D-Limit order directly supports an incredibly important aspect of price discovery and will help restore a better balance between displayed on-exchange and off-exchange trading. We believe that this will, in turn, increase market transparency in a manner that is beneficial to all types of market participants.

We also believe, based on our experience and the data provided in the Proposal, that any potential side-effects of the D-Limit order will be far outweighed by the positive impact on displayed and accessible liquidity in the U.S. market. To this end, we have no concern that on-screen liquidity will become more difficult to access by long-term investors. In fact, we believe that the introduction of D-Limit order will benefit both 'makers' and 'takers' of liquidity by enhancing the displayed liquidity providing experience which will enhance significantly the market quality and depth.

Vontobel looks forward to having its broker partners use this order type because it will benefit Vontobel's clients through improved trading outcomes for displayed orders. We also are extremely supportive of further innovation for displayed protected markets that improve on-exchange liquidity, and encourage other exchanges to bring new and novel solutions to this market segment in order to better protect investors and further the public interest.

Sincerely,

**Vontobel Asset Management Inc.**



Gary Thompson  
Executive Director  
Head of Global Trading