February 24, 2020

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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

Dear Ms. Countryman:

Foremost, the Raymond James & Associates, Inc. Electronic Trading ("RJET") team appreciates the opportunity to comment on the Discretionary Limit Order Type ("D-Limit"), recently proposed and filed by the Investors Exchange LLC ("IEX"). The RJET team is supportive of innovation in the U.S. market place and, as an Institutional Trading Desk, we have a vested interest in meeting our clients best execution mandates. The RJET team has considered the D-Limit proposal and is supportive.

Initially, we had concerns around the ability to source liquidity on IEX when trying to hit/take at prices that were subject to repricing based on the Crumbling Quote Indicator[i] ("CQI") (referred to herein as "quote fade"), but also some curiosity over our own ability to reprice our client's orders, and thereby potentially manage their risk, in a way that most market participants are not able to do. As current users of the hidden D-Peg order type, we are comfortable with the CQI and feel that there is a logical use case within a lit order type like D-Limit.

Regarding "Quote Fade" and "Repricing"

While others may be concerned that a Regulation NMS protected quote would have the ability to fade, these concerns are neither new nor unique to the IEX D-Limit order type. Traders have struggled with quote fade for years, and in response, most algo strategies/routers have become quite good at accessing displayed liquidity with a high level of confidence. For the institutional investor using a properly designed order router, the IEX CQI would not be expected to fire and D-Limit liquidity would not be repriced, allowing for an expected fill rate vs the NBBO.

From the passive side (i.e., liquidity providing orders), for all but the most sophisticated traders, the ability to cancel or modify resting orders in the face of an unstable market is all but impossible given the latency advantages of certain other market participants. In fact, because of the speed required to effectively modify resting orders, few, if any, algos used by institutional investors even try to react to rapidly changing market conditions. It is simply not economically feasible for most sell side algo providers to maintain the low-latency infrastructure needed to even attempt to compete at that level. It only seems fair that institutional investors be given some opportunity to re-price their orders to level the playing field with the fastest market participants.

IEX lays out the trading methodology the CQI is looking to solve.[ii] These "Sophisticated traders," of which there are few, due to the high cost of entry and infrastructure maintenance fees, do not have "an order on their desk" that they are executing against, and act opportunistically to profit off fundamental/traditional investors who are often representing retirement and investment accounts of the general public. Giving passive orders the ability to not be disadvantaged by these opportunistic strategies, while not disadvantaging the liquidity taking capabilities of institutional investors, is a difficult balancing act. The RJET team feels that D-Limit has the potential to strike that balance.

Moreover, the U.S. Securities and Exchange Commission (the "Commission") has already allowed IEX to operate the Discretionary Peg Order, which offers price discretion based on the CQI, but are always non-displayed. As a result, market participants that seek the protections offered by IEX's CQI may only do so with hidden liquidity. Market participants should be able to do the same with displayed liquidity if they so choose. There is no practical reason why displayed orders must remain subject to potential adverse executions by low-latency traders, when non-displayed orders can avail themselves of the CQI feature. Extending this functionality to displayed orders through the D-Limit order type would provide similar protections as the Discretionary Peg Order type but would allow for such orders to contribute to price discovery.

In the end, it's a choice based on order intention.
One of the most compelling pieces of the D-Limit proposal is that it's an "opt in" feature on the IEX platform. For those who wish to use the functionality, D-Limit can be triggered via FIX Tag on an order by order basis. This is in contrast to the EDGA Speed Bump[iii] which is asymmetric and applies to all participants. D-Limit functionality will be accessible on demand by any and all IEX participants at their discretion, based on their order intention.

The question of "order intention" has been discussed recently, especially with the Consolidated Audit Trail requirements rolling out over the course of 2020. There are times when a trader/strategy/child order has the intention to buy or sell stock at a certain price and will post their order accordingly. Other times, there may be a desire to improve the price at which executions may be obtained if the possibility arises. With D-Limit, IEX is providing optional functionality to improve opportunities for potential price improvement, in line with the intention of the order, while curbing the potentially harmful effects of sophisticated traders.

The D-Limit order, which expands on existing functionality already provided by IEX, is a step in the right direction to rebalance the marketplace toward investors and away from opportunistic traders.

We urge the Commission to approve this proposal.

Sincerely,

David Cannizzo
Managing Director
Head of Electronic Trading & Market Structure

Rich DeLayo
Director
Electronic Trading & Market Structure

[i] *See* IEX Rule 11.190(g). *See also* IEX, "What is the IEX Signal" *available at* https://iextrading.com/trading/signal/.
[ii] "Certain sophisticated traders are able to identify a crumbling quote and leverage their speed advantage to trade ahead of and pick off slower participants. This arbitrage strategy is opportunistic and only available to a limited number of participants – 'structural insiders' – and on average is nearly instantly profitable. IEX developed the Signal to identify these moments and protect investors' orders from 'crumbling quote arbitrage,' a modern form of latency arbitrage." *Id.*

[iii] Securities Exchange Act Release No. 86168, 84 FR 30282 (June 26, 2019) (CboeEDGA-2019-012). IEX's speed bump also applies to all market participants, but is not asymmetric, so all market participants are impacted equally.