



May 7, 2020

Via Electronic Mail (rule-comments@sec.gov)

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: Exch. Act Rel. No. 34-87814; File No. SR-IEX-2019-15

Dear Ms. Countryman:

The Healthy Markets Association<sup>1</sup> appreciates the opportunity to supplement our comments to the above-referenced proposal to introduce a “D-Limit” order type on Investors Exchange LLC (IEX).<sup>2</sup> Some have argued that IEX’s D-Limit Proposal should be disapproved for reasons similar to those that supported the Commission’s disapproval of EDGA’s Liquidity Provider Program proposal.<sup>3</sup> We disagree.

The D-Limit Proposal is intended to protect long-term investors, is transparent, is certain, and is consistent with the Exchange Act and Commission Rules. It should be approved.

Further, we have repeatedly asked the Commission for greater clarity and guidance regarding how it will consider proposals such as those under consideration today. We reiterate that request here, and offer some of the considerations below as potential guideposts for such evaluation.

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<sup>1</sup> The Healthy Markets Association is an investor-focused not-for-profit coalition working to educate market participants and promote data-driven reforms to market structure challenges. Our members, who range from a few billion to hundreds of billions of dollars in assets under management, have come together behind one basic principle: Informed investors and policymakers are essential for healthy capital markets. To learn more about Healthy Markets or our members, please see our website at <http://healthymarkets.org>.

<sup>2</sup> *Notice of Filing of Proposed Rule Change to Add a New Discretionary Limit Order Type*, Sec. and Exch. Comm’n, Exch. Act Rel. No. 34-87814, Dec. 20, 2019, available at <https://www.sec.gov/rules/sro/iex/2019/34-87814.pdf> (“D-Limit Proposal”). We offered support for the D-Limit Proposal. Letter from Tyler Gellasch, Healthy Markets Association, to Vanessa Countryman, SEC, Feb. 14, 2020, available at <https://www.sec.gov/comments/sr-iex-2019-15/sriex201915-6827463-208512.pdf>.

<sup>3</sup> See, e.g., Letter from Joanna Mallers, FIA PTG, to Vanessa Countryman, SEC, Apr. 23, 2020, available at <https://www.sec.gov/comments/sr-iex-2019-15/sriex201915-7108524-215914.pdf>.

## Essential Considerations

We believe that, in addition to having met its burden under the Exchange Act, the D-Limit Proposal is appropriate, based on three essential considerations:

1. It is intended to protect long-term investors;
2. It operates pursuant to a transparent methodology and is certain; and
3. It is available to all market participants and is designed to preserve quote accessibility for long-term investors.

The Commission seeks to promote and protect long-term investors. That is what the D-Limit Proposal is intended to do, and is likely the basis for its overwhelming support from investors.<sup>4</sup>

In contrast to the EDGA LPP Proposal, the IEX D-Limit order type would not provide any market participants with an option. When the CQI triggers, the orders would reprice -- 100 percent of the time. At the same time, the process for when the CQI triggers is transparent and codified in the IEX rulebook. Thus, the D-Limit is both transparent and certain. The automated repricing provides certainty to all market participants as to whether and under what contexts an incoming order would be executed or not.

In contrast to the EDGA LPP Proposal, the D-Limit Proposal would automatically move the price levels for D-Limit orders during a very short period of the trading day, and precisely at those times that such executions would be clearly disadvantageous to resting orders. According to IEX, “across all approximately 8,000 symbols available for trading on IEX, the CQI is on only 1.64 seconds per symbol per day on average (0.007% of the time during regular market hours).”<sup>5</sup> Facially, this is not a significant negative impact on the overall accessibility of quotes on IEX.

Further, IEX has offered a detailed analysis of trading on its exchange by market participant, which illustrates significant differences in trading strategies across different segments of market participants. Importantly, it demonstrates that full-service and agency broker dealers accessing the exchange do not appear to be submitting aggressive orders to the exchange based upon their anticipation of a particular price change (as determined by the triggering of the CQI). By contrast, the exchange’s

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<sup>4</sup> See, e.g., Letter from Mehmet Kinak, T. Rowe Price, to Vanessa Countryman, SEC, Feb. 5, 2020, available at <https://www.sec.gov/comments/sr-iex-2019-15/sriex201915-6772531-208082.pdf> (“IEX’s D-Limit order type is designed to equally benefit long-term investors, their brokers, and market makers alike. Any market participant can use D-Limit, regardless of their sophistication or technological capability, and any speed or information advantage they may or may not have.”); see also, Letter from Kenneth Bertsch and Jeff Mahoney, Council of Inst. Investors, to Vanessa Countryman, SEC, Feb. 11, 2020, available at <https://www.sec.gov/comments/sr-iex-2019-15/sriex201915-6795848-208391.pdf>.

<sup>5</sup> D-Limit Proposal, at 18. We would, however, have significant concerns if the frequency and periods of repricing were a more material portion of the trading day, such as for minutes or hours.



analysis demonstrates that proprietary trading firms tend to submit substantial percentages of their orders immediately before and shortly after the triggering of the CQI, which suggests strongly that these traders are looking to “pick off” orders based on those firms’ own determinations that the markets are about to, or are in the process of, moving.

Institutional traders seeking to access liquidity on IEX would thus continue to be able to access orders the vast majority of the trading day (which is when they are nearly always seeking to access liquidity).

## Conclusion

Because the D-Limit Proposal is consistent with the language and intent of the Exchange Act, and IEX has provided relevant data to support its proposal, we recommend the Commission approve it.

Thank you for your consideration.

Should you have any questions or would like to discuss these matters further, please contact me at [REDACTED]

Sincerely,

A handwritten signature in black ink, appearing to read "Tyler Gellasch", written in a cursive style.

Tyler Gellasch  
Executive Director