

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-101562; File No. SR-IEX-2024-24)

November 7, 2024

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Fee Schedule Concerning Transaction Pricing

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on October 28, 2024, the Investors Exchange LLC ("IEX" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) under the Act<sup>4</sup>, and Rule 19b-4 thereunder<sup>5</sup>, the Exchange is filing with the Commission a proposed rule change to amend the Exchange's fee schedule applicable to Members<sup>6</sup> (the "Fee Schedule"<sup>7</sup>) pursuant to IEX Rule 15.110(a) and (c). Changes to the Fee Schedule pursuant to this proposal are effective upon filing<sup>8</sup>, and will be operative on November 1, 2024.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> 15 U.S.C. 78s(b)(1).

<sup>5</sup> 17 CFR 240.19b-4.

<sup>6</sup> See IEX Rule 1.160(s).

<sup>7</sup> See Investors Exchange Fee Schedule, available at <https://www.iexexchange.io/resources/trading/fee-schedule>.

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

The text of the proposed rule change is available at the Exchange's website at [www.iextrading.com](http://www.iextrading.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to modify its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to introduce four new Displayed Liquidity Adding Rebate Tiers (and to modify the two current tiers) for executions priced at or above \$1.00. The Exchange proposes to implement these changes effective November 1, 2024.

**Displayed Liquidity Adding Rebate Tiers**

As reflected in the Transaction Fees section of the Fee Schedule, IEX currently offers two Displayed Liquidity Adding Rebate tiers. Specifically, Displayed Liquidity Adding Rebate Tier 1 provides the Exchange's base rebate of \$0.0014 per share to all executions of displayed liquidity adding orders priced at or above \$1.00 per share ("Added Displayed Liquidity").<sup>9</sup> And Displayed Liquidity Adding Rebate Tier 2 provides a rebate of \$0.0020 per share to all Added

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<sup>9</sup> Nothing in this rule filing affects trades below \$1.00 per share ("sub-dollar trades"). Sub-dollar trades would not impact the rebate tier calculations and remain ineligible for rebates.

Displayed Liquidity for Members that add at least 10,000,000 ADV<sup>10</sup> of Added Displayed Liquidity.

To further incentivize the posting of displayed liquidity on the Exchange, IEX proposes to modify the two current Displayed Liquidity Adding Rebate tiers and introduce four new tiers. Under this proposal, the fees/rebates the Exchange charges for adding displayed liquidity to the Exchange will be:

- Members that add less than 3,000,000 ADV of displayed liquidity will be charged a fee of FREE for their displayed liquidity adding executions (Tier 1).
- Members that trade at least 5,000,000 non-displayed ADV and less than 10,000,000 non-displayed ADV will receive a rebate of 10 mils per share for their displayed liquidity adding executions (Tier 2).<sup>11</sup>
- Members that: (1) add at least 3,000,000 ADV of displayed liquidity and less than 10,000,000 ADV of displayed liquidity; or (2) trade at least 10,000,000 non-displayed ADV, will receive a rebate of 14 mils per share for their displayed liquidity adding executions (Tier 3).<sup>12</sup>
- Members that add at least 10,000,000 ADV of displayed liquidity and less than 15,000,000 ADV of displayed liquidity will receive a rebate of 16 mils per share for their displayed liquidity adding executions (Tier 4).
- Members that add at least 15,000,000 ADV of displayed liquidity and less than 20,000,000 ADV of displayed liquidity will receive a rebate of 18 mils per share for their displayed liquidity adding executions (Tier 5).
- Members that add at least 20,000,000 ADV of displayed liquidity will receive a rebate of 20 mils per share for their displayed liquidity adding executions (Tier 6).

Proposed Displayed Liquidity Adding Rebate Tiers 2 and 3 are based on a Member's trading (both adding and removing) of non-displayed ADV on the Exchange.<sup>13</sup> Therefore, IEX proposes to update the definition of "ADV" in the Definitions and Information portion of the

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<sup>10</sup> The Fee Schedule defines "ADV" as the number of shares added or removed that execute at or above \$1.00 per share, combined, per day, calculated on a monthly basis.

<sup>11</sup> IEX designed Tier 2, which provides a 10 mil rebate to Members that trade at least 5,000,000 non-displayed ADV, to provide Members additional ways to qualify for a tiered rebate incentive.

<sup>12</sup> IEX designed Tier 3, which provides a 14 mil rebate to Members that trade at least 10,000,000 non-displayed ADV (or add between 3,000,000 and 10,000,000 displayed ADV), to provide Members additional ways to qualify for a tiered rebate incentive.

<sup>13</sup> Tier 3 is also available to a Member that adds at least 3,000,000 displayed ADV and less than 10,000,000 displayed ADV, irrespective of the Member's non-displayed ADV.

Transaction Fees section of the IEX Fee Schedule to explain which fee code combinations count as “non-displayed ADV.” Specifically, IEX proposes to add a bullet under the ADV definition that states:

- “non-displayed ADV” refers to executions with the following Fee Code Combinations: MI, MIB, TI, TIB, TIY, TIYB, TIR, TLW, TLWB, and MIA.

IEX notes that this model of offering volume-based rebates is consistent with the rebates offered by competitor exchanges.<sup>14</sup> The Exchange also notes that the highest rebate in this proposal, the \$0.0020 rebate for Tier 5, is well within the range of rebates offered by competing exchanges.<sup>15</sup>

Accordingly, IEX proposes to update its Fee Schedule to make several revisions to reflect the proposed amended rebate tiers. First, the Exchange proposes to amend the Fee Schedule’s Base Rates table to update the description and fees associated with Base Fee Code ML (“Add displayed liquidity”). As amended, the Base Rates table will list six base rates for Fee Code ML – the FREE execution applied if “Member adds less than 3,000,000 ADV of displayed liquidity”; the \$0.0010 rebate applied if “Member trades at least 5,000,000 non-displayed ADV and less than 10,000,000 non-displayed ADV”; the \$0.0014 rebate applied if “Member: (1) adds at least 3,000,000 ADV and less than 10,000,000 ADV of displayed liquidity; or (2) trades at least 10,000,000 non-displayed ADV”; the \$0.0016 rebate applied if “Member adds at least 10,000,000 ADV and less than 15,000,000 ADV of displayed liquidity”; the \$0.0018 rebate applied if “Member adds at least 15,000,000 and less than 20,000,000 ADV of displayed

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<sup>14</sup> See, e.g., MEMX Equities Fee Schedule (Effective July 16, 2024), available at <https://info.memxtrading.com/equities-trading-resources/us-equities-fee-schedule/>. However, IEX’s proposed rebate tiers will continue to be based on each Member’s ADV, without a requirement to meet a total consolidated volume threshold.

<sup>15</sup> See, e.g., MEMX Equities Fee Schedule, *supra* note 14 (maximum rebate of \$0.0037); Nasdaq Equity VII, Section 114 (maximum rebate of \$0.0036); New York Stock Exchange Price List 2024 (as of June 3, 2024), [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf) (maximum rebate of \$0.0035).

liquidity”; and the \$0.0020 rebate applied if “Member adds at least 20,000,000 ADV of displayed liquidity.”

IEX also proposes to amend Footnote 4 to the Transaction Fees section, which is applicable to fee code ML in the Base Rates table, and to Fee Code Combinations ML, MLB, MLY, and MLYB in the Fee Code Combination and Associated Fees table. As proposed, Footnote 4 will be amended to reflect the six tiers proposed in this filing, including the required criteria for each rebate tier and the applicable rebate, as described above.

The Exchange believes the proposed amendments to the Displayed Liquidity Adding Rebate Tiers would provide an incremental incentive for Members to send more orders to the Exchange in an effort to qualify for the proposed enhanced rebates offered by Tiers 2-5 for executions of Added Displayed Volume. As such, the proposed Displayed Liquidity Adding Rebate Tiers are designed to encourage Members that provide liquidity on the Exchange to maintain or increase their order flow, thereby contributing to a deeper and more liquid market to the benefit of all market participants and enhancing the attractiveness of the Exchange as a trading venue.

As noted above, the Exchange is not proposing to change the fees applicable to executions of and with orders with an execution price below \$1.00 per share, which would remain free for such orders that provide displayed liquidity and subject to a fee of 0.09% of the total dollar volume of the execution for orders that take displayed liquidity. IEX is also not proposing to make any changes to the fees applicable to the execution of Retail<sup>16</sup> orders that remove displayed liquidity, which will continue to execute for free.

## 2. Statutory Basis

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<sup>16</sup> See IEX Rule 11.190(b)(15).

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)<sup>17</sup> of the Act in general and furthers the objectives of Sections 6(b)(4)<sup>18</sup> of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange believes that the proposed fee change is reasonable, fair and equitable, and non-discriminatory.

The Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. IEX has concluded that, in the context of current regulatory requirements governing access fees and rebates, it will be able to more effectively compete with other exchanges for order flow by offering more targeted rebate incentives. Based upon informal discussions with market participants, IEX believes that Members and other market participants may be more willing to send displayed orders to IEX if the proposed fee structure was adopted.

Accordingly, IEX has designed the proposed rebate tiers to attract and incentivize displayed orders as well as order flow seeking to trade with such displayed orders. Moreover, increases in displayed liquidity would contribute to the public price discovery process which would benefit all market participants and protect investors and the public interest. Additionally, as discussed in the Purpose section, IEX has designed Tiers 2 and 3, which provide a 10 mil rebate to Members that trade at least 5,000,000 non-displayed ADV (but less than 10,000,000 non-displayed ADV) and a 14 mil rebate to Members that trade at least 10,000,000 non-displayed ADV to allow Members additional ways to qualify for an incentive rebate tier.

The Exchange also believes that adding language to the ADV definition in the Fee

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<sup>17</sup> 15 U.S.C. 78f.

<sup>18</sup> 15 U.S.C. 78f(b)(4).

Schedule to explain which fee codes count towards “non-displayed ADV” is reasonable, equitable, and non-discriminatory because this language is designed to ensure that the Fee Schedule is as clear and easily understandable as possible with respect to the criteria applied by the Exchange for two of the new proposed rebate tiers.

Thus, as discussed in the Purpose section, the Exchange believes that the proposed addition of new volume-based rebate tiers that pay progressively higher rebates to Members who add progressively more displayed liquidity (on a monthly average basis) is reasonable and consistent with the Act because it is designed to incentivize Members to send additional displayed orders to IEX. Specifically, the Exchange believes that the volume-based rebate tiers are reasonably designed to incentivize Members to add a meaningful volume of displayed liquidity by providing increasingly higher rebates for Members that qualify for increasingly higher average minimum volume thresholds. As noted in the Purpose section, other exchanges offer rebate tiers, and thus the Exchange does not believe that this aspect of the proposal raises any new or novel issues not already considered by the Commission. The Exchange also believes that setting tier thresholds based on each Member’s own volume on the Exchange rather than based on consolidated market-wide volume will facilitate the ability of Members to control and predict the net fees that will apply to their transactions on the Exchange each month.

As discussed above, the Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. Within that context, the proposed Displayed Liquidity Adding Rebate Tier structure is designed to keep IEX’s displayed trading prices competitive with those of other exchanges. The proposed rebates for the six Displayed Liquidity Adding Rebate tiers are within the range offered by competing exchanges, and thus IEX does not believe that the

proposal raises any new or novel issues not already considered by the Commission in the context of other exchanges' fees.

The Exchange also believes that it is reasonable and consistent with the Act not to modify its displayed fees for sub-dollar executions to synchronize those fees with the proposed fees for executions at or above \$1.00 per share. The Exchange believes that the existing fee structure for such executions continues to be reasonably designed to incentivize displayed order flow (and orders seeking to trade with displayed order flow) in such securities.

Further, IEX believes that it is reasonable and consistent with the Act not to change the fees applicable to the execution of Retail orders that remove liquidity, which will continue to execute for free. In this regard, the Exchange believes that the existing fee structure continues to be reasonably designed to incentivize the entry of Retail orders, and notes that the Commission, in approving IEX's Retail Price Improvement Program, acknowledged the value of exchanges' offering incentives to attract both retail investor orders and orders specifically designated to execute only with retail orders.<sup>19</sup>

Finally, to the extent this proposed fee change is successful in incentivizing the entry and execution of displayed orders on IEX, such greater liquidity will benefit all market participants by increasing price discovery and price formation as well as market quality and execution opportunities. And, as discussed above, IEX does not believe that any aspect of this proposal raises new or novel issues not already considered by the Commission.

#### B. Self-Regulatory Organization's Statement on Burden on Competition

IEX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

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<sup>19</sup> See Securities Exchange Act Release No. 86619 (August 9, 2019), 84 FR 41769, 41771 (August 15, 2019) (SR-IEX-2019-05).



Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if fee schedules at other venues are viewed as more favorable. Consequently, the Exchange believes that the degree to which IEX fees could impose any burden on competition is extremely limited and does not believe that such fees would burden competition between Members or competing venues. Moreover, as noted in the Statutory Basis section, the Exchange does not believe that the proposed changes raise any new or novel issues not already considered by the Commission.

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because, while different rebates and fees are assessed on Members, these rebate and fee tiers are not based on the type of Member entering the orders that match, but rather on the Member's own trading activity. Further, the proposed fee changes continue to be intended to encourage market participants to bring increased order flow to the Exchange, which benefits all market participants.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii)<sup>20</sup> of the Act.

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>21</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-IEX-2024-24 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-IEX-2024-24. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies

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<sup>21</sup> 15 U.S.C. 78s(b)(2)(B).

of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-IEX-2024-24 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>22</sup> 17 CFR 200.30-3(a)(12).