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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2023 - * 05

Amendment No. (req. for Amendments *)

Filing by   Investors' Exchange LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ✓	Amendment * ☐	Withdrawal ☐	Section 19(b)(2) * ☐	Section 19(b)(3)(A) * ✓	Section 19(b)(3)(B) * ☐

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *	19b-4(f)(1) ☐	19b-4(f)(4) ☐
			19b-4(f)(2) ☐	19b-4(f)(5) ☐
			19b-4(f)(3) ☐	19b-4(f)(6) ✓

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Allow Non-Displayed Discretionary Limit Orders to be Submitted with a Minimum Quantity Instruction.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Nathaniel

Last Name * Kolodny

Title * Lead Regulation Counsel

E-mail * nathaniel.kolodny@iextrading.com

Telephone * (646) 343-2034

Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Investors' Exchange LLC
has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 04/06/2023

By Nathaniel Kolodny
(Name *)

(Title *)

Lead Regulation Counsel

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Nathaniel
Kolodny

Digitally signed by Nathaniel Kolodny
Date: 2023.04.06 17:38:37 -04'00'

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *			The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Add	Remove	View	
D-Limit MQTY 19b4 SEC filing.doc			

Exhibit 1 - Notice of Proposed Rule Change *			The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Add	Remove	View	
D-Limit MQTY 19b4 Ex 1.doc			

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *			The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
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Exhibit 2- Notices, Written Comments, Transcripts, Other Communications			Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Add	Remove	View	
			☐ Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire			Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Add	Remove	View	
			☐ Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies			The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Add	Remove	View	

Exhibit 5 - Proposed Rule Text			The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change
Add	Remove	View	
D-Limit MQTY Ex. 5 SEC filing.doc			

Partial Amendment			If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
Add	Remove	View	

1.   Text of Proposed Rule Change

(a)   Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act

of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] Investors Exchange LLC ("IEX" or "Exchange")

is filing with the Securities and Exchange Commission ("Commission") a proposed rule change

to allow non-displayed Discretionary Limit orders to be submitted with a minimum quantity

instruction.

The Exchange has designated this proposed rule change as "non-controversial" under

Section 19(b)(3)(A) of the Act[3] and provided the Commission with the notice required by Rule

19b-4(f)(6) thereunder.[4]

A notice of the proposed rule change for publication in the Federal Register is attached

hereto as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b)   The Exchange does not believe that the proposed rule change will have any direct

effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this

filing.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority

delegated to it by the Board of the Exchange. No further action is required under the Exchange's

governing documents. Therefore, the Exchange's internal procedures with respect to the

proposed rule change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the

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[1] 15 U.S.C. 78s(b)(1).
[2] 17 CFR 240.19b-4.
[3] 15 U.S.C. 78s(b)(3)(A).
[4] 17 CFR 240.19b-4.

proposed rule change are:

Claudia Crowley
Chief Regulatory Officer
Investors Exchange LLC
646-343-2041

Nathaniel Kolodny
Lead Regulation Counsel
Investors Exchange LLC
646-343-2034

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

    a.   Purpose

The purpose of this proposed rule filing is to amend IEX Rule 11.190(b)(7) to offer Members[5] the option of including a Minimum Quantity ("MQTY")[6] instruction on a non-displayed[7] Discretionary Limit ("D-Limit") order. As proposed, a non-displayed D-Limit MQTY order would function exactly like any other MQTY order at IEX.

Background

Since the approval of its exchange application, IEX, like other equities exchanges[8], has offered Members[9] the option of including a MQTY instruction on a non-displayed order. IEX's rulebook defines a MQTY order as a non-displayed, non-routable order that enables a Member to specify an "effective minimum quantity", which is the minimum share amount at which the order will execute.[10] A MQTY order will not execute unless the volume of contra-side liquidity available to execute against the order meets or exceeds the effective minimum quantity.

IEX understands that some market participants use MQTY orders as part of a trading strategy designed to limit the price impact on a security when passively executing larger orders.

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[5] See IEX Rule 1.160(s).
[6] See IEX Rule 11.190(b)(11).
[7] See IEX Rule 11.190(b)(3).
[8] See, e.g., Cboe BZX Exchange, Inc. Rule 11.9(c)(5); MEMX, LLC Rule 11.6(f); The Nasdaq Stock Market LLC Rule 4703(e); and New York Stock Exchange LLC Rule 7.31(i)(3).
[9] See IEX Rule 1.160(s).
[10] See IEX Rule 11.190(b)(11).

In other words, MQTY orders are often used to reduce the likelihood of a larger resting order interacting with small orders entered by professional traders, possibly adversely impacting the execution of their larger order. For example, professional traders may use small pinging orders to detect the presence of a large resting order and then use that information to cause the quotes in that security to widen or skew in a manner that adversely impacts the price that the resting order can trade at. The Commission has long recognized this concern:

> Another type of implicit transaction cost reflected in the price of a security is short-term price volatility caused by temporary imbalances in trading interest. For example, a significant implicit cost for large investors (who often represent the consolidated investments of many individuals) is the price impact that their large trades can have on the market. Indeed, disclosure of these large orders can reduce the likelihood of their being filled."[11]

A MQTY order resting on the IEX Order Book[12] will only execute with a willing[13] contra-side order that satisfies the resting order's effective minimum quantity. For active orders[14], IEX offers Members three options for how a MQTY order will determine satisfaction of its effective limit quantity parameter: Composite; Minimum Execution Size with Cancel Remaining ("MinExec Cancel Remaining"); and Minimum Execution Size with All or None Remaining ("MinExec AON Remaining").[15] When an active MQTY order is marked Composite, it will execute against all willing contra-side resting orders of any size, provided that the aggregate execution size is equal to or greater than the active order's effective minimum

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[11] See Securities Exchange Act Release No. 42450 (February 23, 2000), 65 FR 10577, 10581 (February 28, 2000) (SR-NYSE-99-48).

[12] See IEX Rule 1.160(p).

[13] Pursuant to IEX Rule 11.190(b)(11) a "willing" contra-side order is one that is priced so as to be marketable against the MQTY order in question.

[14] An "active order" is an order checking the Order Book for contra-side interest against which to execute and includes new incoming orders as well as orders rechecking the Order Book pursuant to IEX Rule 11.230(a)(4)(D). There can only be one active order for each symbol at any given time. See IEX Rule 1.160(b).

[15] See IEX Rule 11.190(b)(11)(G).

quantity. When an active MQTY order is marked either MinExec Cancel Remaining or

MinExec AON Remaining, it will execute against each willing contra-side resting order in

priority, provided that each individual execution size meets the active order's effective minimum

quantity and satisfies the MQTY order's time-in-force ("TIF") terms.[16] Upon reaching a resting

order that would trade with the active MQTY order based on its price, but does not satisfy its

effective minimum quantity, the active MQTY order will post to the Order Book or cancel back

to the User as per the order's TIF and MQTY terms. For example, if the active MQTY order has

a TIF of IOC or is designated as MinExec Cancel Remaining, then any unexecuted shares will

cancel back to the Member. But if the active MQTY order is designated as MinExec AON

Remaining and has a TIF of DAY, GTX, SYS, or GTT, then any unexecuted shares will post to

the Order Book. If the remaining size of a MQTY order designated as MinExec AON

Remaining is smaller than the effective minimum quantity of the order, the effective minimum

quantity of the order will change to equal the number of shares remaining.

In October 2020[17], IEX introduced a new type of limit order, the D-Limit order[18], which

is designed to help protect liquidity providers from potential adverse selection during periods of

quote instability in a fair and nondiscriminatory manner.[19] A D-Limit order may be a displayed

or non-displayed limit order that upon entry and when posting to the Order Book is priced to be

equal to and ranked at the order's limit price, but will be adjusted to a less-aggressive price

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[16] See IEX Rule 11.190(c). For example, an active MQTY order with a TIF of FOK, like any FOK order, will only execute for its full quantity, or otherwise be canceled.

[17] See IEX Trading Alert 2020-029, available at https://iextrading.com/alerts/#/126.

[18] See Securities Exchange Act Release No. 89686 (August 26, 2020), 85 FR 54438 (September 1, 2020) (SR-IEX-2019-15) ("D-Limit Approval Order").

[19] See Securities Exchange Act Release No. 87814 (December 20, 2019), 84 FR 71997, 71998 (December 30, 2019) (SR-IEX-2019-15) ("D-Limit Proposal").

during periods of quote instability, as defined in IEX Rule 11.190(g).[20]

Currently, both displayed and non-displayed D-Limit orders cannot be a MQTY order.[21] While IEX offers most non-displayed orders the ability to include a MQTY instruction, IEX did not offer non-displayed D-Limit MQTY orders at the time of their introduction to reduce technical complexity. However, in the more than two years since the introduction of D-Limit orders, IEX has received informal feedback from Members indicating that they would like to be able to submit non-displayed D-Limit orders with a MQTY instruction to decrease the potential price impact of large D-Limit orders. Additionally, these Members indicate that they would submit more non-displayed D-Limit orders if they could use a MQTY instruction to set a minimum size for each fill. Based on this feedback, IEX proposes to enable fully non-displayed D-Limit orders to be MQTY orders, which is consistent with how IEX treats other fully non-displayed limit orders.[22] Specifically, IEX proposes to amend IEX Rule 11.190(b)(7)(F)(vi), which currently states that a D-Limit order may not be a MQTY[23], to instead read as follows: "Non-displayed Discretionary Limit orders may be a MQTY, as defined in paragraph (11) below. Displayed and partially displayed (i.e., reserve) Discretionary Limit orders may not be a MQTY, as defined in paragraph (11) below."[24] IEX is proposing no other changes to D-Limit orders and no changes at all to MQTY functionality.

b.   Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of

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[20] See IEX Rules 11.190(b)(7) and 11.190(g).
[21] See IEX Rule 11.190(b)(7)(F)(vi).
[22] See IEX Rule 11.190(a)(2)(F). Reserve orders, being partially displayed and partially non-displayed, are not able to be MQTY orders. See IEX Rule 11.190(b)(2)(H). Consistent with this functionality, IEX's proposal would not change the fact that a D-Limit reserve order cannot be a MQTY order.
[23] See IEX Rule 11.190(b)(7)(F)(vi).
[24] See Proposed IEX Rule 11.190(b)(7)(F)(vi).

the Act,[25] in general, and furthers the objectives of Section 6(b)(5),[26] in particular, in that it is

designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable

principles of trade, to foster cooperation and coordination with persons engaged in facilitating

transactions in securities, and to remove impediments to and perfect the mechanism of a free and

open market and a national market system, and, in general, to protect investors and the public

interest. Specifically, the Exchange believes that the proposed rule change is consistent with the

protection of investors and the public interest because it is designed to provide more flexibility

and opportunities for Members to add non-displayed liquidity to the Exchange. As noted in the

Purpose section, the proposed rule change is responsive to informal feedback from some

Members, stating that they want to combine the benefits of a non-displayed D-Limit order with

those of a MQTY order.

By providing additional functionality to non-displayed D-Limit orders, IEX believes that

the proposed rule change may attract additional liquidity to the Exchange by incentivizing

Members to submit larger, non-displayed D-Limit orders to the Exchange, in particular Members

that are not currently resting non-displayed D-Limit orders on IEX. To the extent this proposal is

successful in attracting more non-displayed D-Limit orders to the Exchange, IEX believes it will

provide an overall benefit to market participants generally, even though these larger MQTY

orders will not always interact with smaller orders that are not able to satisfy the MQTY

constraints. Thus, IEX believes this proposal supports the purposes of the Act to remove

impediments to and perfect the mechanism of a free and open market and a national market

system, and in general, to protect investors and the public interest. The Exchange further

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[25] 15 U.S.C. 78f(b).
[26] 15 U.S.C. 78f(b)(5).

believes that the proposed rule change is consistent with the Act because it would be available to all Members on a fair, equal and nondiscriminatory basis regardless of their technological sophistication. Moreover, the proposal is designed to incentivize the entry of additional non-displayed D-Limit orders by providing MQTY functionality to support Members' ability to control the size and price impact of the execution of such orders. To the extent that such incentive is successful in increasing the overall liquidity pool available at IEX, all market participants, including takers of liquidity, will benefit.

Furthermore, because MQTY orders surrender execution priority if their MQTY conditions are not satisfied[27], when a D-Limit MQTY order is unable to trade with a contra-side order because of its MQTY instruction, if there is another order resting on the Order Book behind the D-Limit order, such order could trade with the contra-side order. Therefore, IEX does not believe that increasing the number of MQTY orders on the Exchange (which is designed to increase liquidity on IEX) would necessarily reduce the overall likelihood of MQTY contra-side orders executing on IEX, which is consistent with the purposes of the Act to protect investors and the public interest.

In addition, as noted in the Purpose section, a D-Limit MQTY order is a combination of two order types the Commission has already approved – MQTY orders– which are also a common order type on equity exchanges[28]– and D-Limit orders.[29] And all Members would be eligible to include the optional MQTY instruction on their fully non-displayed D-Limit orders in the same manner.

Thus, IEX does not believe that the proposed changes raise any new or novel material

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[27] See IEX Rule 11.220(a)(5).
[28] See supra note 8.
[29] See supra note 11.

issues that have not already been considered by the Commission in connection with existing order types offered by IEX and other national securities exchanges.

4.   Self-Regulatory Organization's Statement on Burden on Competition

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

The 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. To the contrary, the proposal is designed to enhance IEX's competitiveness with other markets by further enhancing IEX's D-Limit order type functionality. As discussed in the Purpose section, the proposal is designed to incentivize the entry of additional non-displayed liquidity providing orders on IEX by offering Members the flexibility of including an optional MQTY instruction on fully non-displayed D-Limit orders. By giving more opportunities to Members to tailor D-Limit orders to their trading strategies, IEX believes this proposal will increase the overall liquidity profile on the Exchange, as discussed in the Statutory Basis section.

The Exchange also 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. All Members would be eligible to include the optional MQTY instruction on their fully non-displayed D-Limit orders in the same manner. Moreover, the proposal would provide potential benefits to all Members, as discussed in the Statutory Basis section, to the extent that there is more liquidity available on IEX as a result of increased use of D-Limit orders attributable to the ability to enter such orders with a MQTY instruction.

5.   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.

6.   Extension of Time Period for Commission Action

         Not applicable.

7.   Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated
         Effectiveness Pursuant to Section 19(b)(2)

The Exchange has designated this rule filing as non-controversial under Section

19(b)(3)(A) of the Act[30] and paragraph (f)(6) of Rule 19b-4 thereunder.[31] The Exchange asserts

that the proposed rule change: (1) will not significantly affect the protection of investors or the

public interest, (2) will not impose any significant burden on competition, (3) and will not

become operative for 30 days from the date on which it was filed, or such shorter time as the

Commission may designate. In addition, the Exchange provided the Commission with written

notice of its intent to file the proposed rule change, along with a brief description and text of the

proposed rule change, at least five business days prior to the date of filing.[32]

The Exchange believes that the proposed rule change meets the criteria of subparagraph

(f)(6) of Rule 19b-4[33] because it would not significantly affect the protection of investors or the

public interest. Rather, the proposed rule change neither significantly affects the protection of

investors or the public interest, nor does it impose any burden on competition because it would

merely combine the attributes of two existing order types – D-Limit orders and MQTY orders –

to expand the functionality available to Members, as discussed in the Purpose section, and does

not raise any new or novel material issues that have not already been considered by the

Commission in connection with existing order types offered by IEX. Accordingly, IEX has

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[30] 15 U.S.C. 78s(b)(3)(A).
[31] 17 CFR 240.19b-4.
[32] 17 CFR 240.19b-4(f)(6)(iii).
[33] 17 CFR 240.19b-4(f)(6).

designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[34] and

paragraph (f)(6) of Rule 19b-4 thereunder.[35]

The Exchange will implement the proposed rule change within 90 days of filing, subject

to the 30-day operative delay, and provide at least ten (10) days' notice to Members and market

participants of the implementation timeline.

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.

8. <u>Proposed Rule Change Based on the Rules of Another Self-Regulatory Organization or of the Commission</u>

Not applicable.

9. <u>Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act</u>

Not applicable.

10. <u>Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act</u>

Not applicable.

11. <u>Exhibits</u>

Exhibit 1 – Form of Notice of the Proposed Rule Change for Publication in the <u>Federal</u>

<u>Register</u>.

Exhibit 5 – Text of Proposed Rule Change.

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[34] 15 U.S.C. 78s(b)(3)(A).
[35] 17 CFR 240.19b-4(f)(6).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34 -   ); File No. SR-IEX-2023-05

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Allow Non-Displayed Discretionary Limit Orders to be Submitted with a Minimum Quantity Instruction.

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on (date), 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[4], and Rule 19b-4 thereunder[5], IEX is filing with the Commission a proposed rule change to allow non-displayed Discretionary Limit orders to be submitted with a minimum quantity instruction. The Exchange has designated this proposed rule change as "non-controversial" under Section 19(b)(3)(A) of the Act[6] and provided the Commission with

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[1] 15 U.S.C. 78s(b)(1).
[2] 15 U.S.C. 78a.
[3] 17 CFR 240.19b-4.
[4] 15 U.S.C. 78s(b)(1).
[5] 17 CFR 240.19b-4.
[6] 15 U.S.C. 78s(b)(3)(A).

the notice required by Rule 19b-4(f)(6) thereunder.[7]

The text of the proposed rule change is available at the Exchange's website at

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 purpose of this proposed rule filing is to amend IEX Rule 11.190(b)(7) to

offer Members[8] the option of including a Minimum Quantity ("MQTY")[9] instruction on

a non-displayed[10] Discretionary Limit ("D-Limit") order. As proposed, a non-displayed

D-Limit MQTY order would function exactly like any other MQTY order at IEX.

Background

Since the approval of its exchange application, IEX, like other equities

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[7] 17 CFR 240.19b-4.
[8] See IEX Rule 1.160(s).
[9] See IEX Rule 11.190(b)(11).
[10] See IEX Rule 11.190(b)(3).

exchanges[11], has offered Members[12] the option of including a MQTY instruction on a non-displayed order. IEX's rulebook defines a MQTY order as a non-displayed, non-routable order that enables a Member to specify an "effective minimum quantity", which is the minimum share amount at which the order will execute.[13] A MQTY order will not execute unless the volume of contra-side liquidity available to execute against the order meets or exceeds the effective minimum quantity.

IEX understands that some market participants use MQTY orders as part of a trading strategy designed to limit the price impact on a security when passively executing larger orders. In other words, MQTY orders are often used to reduce the likelihood of a larger resting order interacting with small orders entered by professional traders, possibly adversely impacting the execution of their larger order. For example, professional traders may use small pinging orders to detect the presence of a large resting order and then use that information to cause the quotes in that security to widen or skew in a manner that adversely impacts the price that the resting order can trade at. The Commission has long recognized this concern:

> Another type of implicit transaction cost reflected in the price of a security is short-term price volatility caused by temporary imbalances in trading interest. For example, a significant implicit cost for large investors (who often represent the consolidated investments of many individuals) is the price impact that their large trades can have on the market. Indeed, disclosure of these large orders can reduce the likelihood of their being filled."[14]

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[11] See, e.g., Cboe BZX Exchange, Inc. Rule 11.9(c)(5); MEMX, LLC Rule 11.6(f); The Nasdaq Stock Market LLC Rule 4703(e); and New York Stock Exchange LLC Rule 7.31(i)(3).

[12] See IEX Rule 1.160(s).

[13] See IEX Rule 11.190(b)(11).

[14] See Securities Exchange Act Release No. 42450 (February 23, 2000), 65 FR 10577, 10581 (February 28, 2000) (SR-NYSE-99-48).

A MQTY order resting on the IEX Order Book[15] will only execute with a willing[16] contra-side order that satisfies the resting order's effective minimum quantity. For active orders[17], IEX offers Members three options for how a MQTY order will determine satisfaction of its effective limit quantity parameter: Composite; Minimum Execution Size with Cancel Remaining ("MinExec Cancel Remaining"); and Minimum Execution Size with All or None Remaining ("MinExec AON Remaining").[18] When an active MQTY order is marked Composite, it will execute against all willing contra-side resting orders of any size, provided that the aggregate execution size is equal to or greater than the active order's effective minimum quantity. When an active MQTY order is marked either MinExec Cancel Remaining or MinExec AON Remaining, it will execute against each willing contra-side resting order in priority, provided that each individual execution size meets the active order's effective minimum quantity and satisfies the MQTY order's time-in-force ("TIF") terms.[19] Upon reaching a resting order that would trade with the active MQTY order based on its price, but does not satisfy its effective minimum quantity, the active MQTY order will post to the Order Book or cancel back to the User as per the order's TIF and MQTY terms. For example, if the active MQTY order has a TIF of IOC or is designated as MinExec Cancel Remaining, then any unexecuted shares will cancel back to the Member. But if the active MQTY order is

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[15] See IEX Rule 1.160(p).

[16] Pursuant to IEX Rule 11.190(b)(11) a "willing" contra-side order is one that is priced so as to be marketable against the MQTY order in question.

[17] An "active order" is an order checking the Order Book for contra-side interest against which to execute and includes new incoming orders as well as orders rechecking the Order Book pursuant to IEX Rule 11.230(a)(4)(D). There can only be one active order for each symbol at any given time. See IEX Rule 1.160(b).

[18] See IEX Rule 11.190(b)(11)(G).

[19] See IEX Rule 11.190(c). For example, an active MQTY order with a TIF of FOK, like any FOK order, will only execute for its full quantity, or otherwise be canceled.

designated as MinExec AON Remaining and has a TIF of DAY, GTX, SYS, or GTT, then any unexecuted shares will post to the Order Book. If the remaining size of a MQTY order designated as MinExec AON Remaining is smaller than the effective minimum quantity of the order, the effective minimum quantity of the order will change to equal the number of shares remaining.

In October 2020[20], IEX introduced a new type of limit order, the D-Limit order[21], which is designed to help protect liquidity providers from potential adverse selection during periods of quote instability in a fair and nondiscriminatory manner.[22] A D-Limit order may be a displayed or non-displayed limit order that upon entry and when posting to the Order Book is priced to be equal to and ranked at the order's limit price, but will be adjusted to a less-aggressive price during periods of quote instability, as defined in IEX Rule 11.190(g).[23]

Currently, both displayed and non-displayed D-Limit orders cannot be a MQTY order.[24] While IEX offers most non-displayed orders the ability to include a MQTY instruction, IEX did not offer non-displayed D-Limit MQTY orders at the time of their introduction to reduce technical complexity. However, in the more than two years since the introduction of D-Limit orders, IEX has received informal feedback from Members indicating that they would like to be able to submit non-displayed D-Limit orders with a MQTY instruction to decrease the potential price impact of large D-Limit orders. Additionally, these Members indicate that they would submit more non-displayed D-

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[20] See IEX Trading Alert 2020-029, available at https://iextrading.com/alerts/#/126.
[21] See Securities Exchange Act Release No. 89686 (August 26, 2020), 85 FR 54438 (September 1, 2020) (SR-IEX-2019-15) ("D-Limit Approval Order").
[22] See Securities Exchange Act Release No. 87814 (December 20, 2019), 84 FR 71997, 71998 (December 30, 2019) (SR-IEX-2019-15) ("D-Limit Proposal").
[23] See IEX Rules 11.190(b)(7) and 11.190(g).
[24] See IEX Rule 11.190(b)(7)(F)(vi).

Limit orders if they could use a MQTY instruction to set a minimum size for each fill.

Based on this feedback, IEX proposes to enable fully non-displayed D-Limit orders to be

MQTY orders, which is consistent with how IEX treats other fully non-displayed limit

orders.[25] Specifically, IEX proposes to amend IEX Rule 11.190(b)(7)(F)(vi), which

currently states that a D-Limit order may not be a MQTY[26], to instead read as follows:

"Non-displayed Discretionary Limit orders may be a MQTY, as defined in paragraph

(11) below. Displayed and partially displayed (i.e., reserve) Discretionary Limit orders

may not be a MQTY, as defined in paragraph (11) below."[27] IEX is proposing no other

changes to D-Limit orders and no changes at all to MQTY functionality.

2.   Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section

6(b) of the Act,[28] in general, and furthers the objectives of Section 6(b)(5),[29] in particular,

in that it is designed to prevent fraudulent and manipulative acts and practices, to

promote just and equitable principles of trade, to foster cooperation and coordination with

persons engaged in facilitating transactions in securities, and to remove impediments to

and perfect the mechanism of a free and open market and a national market system, and,

in general, to protect investors and the public interest. Specifically, the Exchange

believes that the proposed rule change is consistent with the protection of investors and

the public interest because it is designed to provide more flexibility and opportunities for

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[25] See IEX Rule 11.190(a)(2)(F). Reserve orders, being partially displayed and partially non-displayed, are not able to be MQTY orders. See IEX Rule 11.190(b)(2)(H). Consistent with this functionality, IEX's proposal would not change the fact that a D-Limit reserve order cannot be a MQTY order.

[26] See IEX Rule 11.190(b)(7)(F)(vi).

[27] See Proposed IEX Rule 11.190(b)(7)(F)(vi).

[28] 15 U.S.C. 78f(b).

[29] 15 U.S.C. 78f(b)(5).

Members to add non-displayed liquidity to the Exchange. As noted in the Purpose section, the proposed rule change is responsive to informal feedback from some Members, stating that they want to combine the benefits of a non-displayed D-Limit order with those of a MQTY order.

By providing additional functionality to non-displayed D-Limit orders, IEX believes that the proposed rule change may attract additional liquidity to the Exchange by incentivizing Members to submit larger, non-displayed D-Limit orders to the Exchange, in particular Members that are not currently resting non-displayed D-Limit orders on IEX. To the extent this proposal is successful in attracting more non-displayed D-Limit orders to the Exchange, IEX believes it will provide an overall benefit to market participants generally, even though these larger MQTY orders will not always interact with smaller orders that are not able to satisfy the MQTY constraints. Thus, IEX believes this proposal supports the purposes of the Act to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest. The Exchange further believes that the proposed rule change is consistent with the Act because it would be available to all Members on a fair, equal and nondiscriminatory basis regardless of their technological sophistication. Moreover, the proposal is designed to incentivize the entry of additional non-displayed D-Limit orders by providing MQTY functionality to support Members' ability to control the size and price impact of the execution of such orders. To the extent that such incentive is successful in increasing the overall liquidity pool available at IEX, all market participants, including takers of liquidity, will benefit.

Furthermore, because MQTY orders surrender execution priority if their MQTY

conditions are not satisfied[30], when a D-Limit MQTY order is unable to trade with a

contra-side order because of its MQTY instruction, if there is another order resting on the

Order Book behind the D-Limit order, such order could trade with the contra-side order.

Therefore, IEX does not believe that increasing the number of MQTY orders on the

Exchange (which is designed to increase liquidity on IEX) would necessarily reduce the

overall likelihood of MQTY contra-side orders executing on IEX, which is consistent

with the purposes of the Act to protect investors and the public interest.

In addition, as noted in the Purpose section, a D-Limit MQTY order is a

combination of two order types the Commission has already approved – MQTY orders–

which are also a common order type on equity exchanges[31]– and D-Limit orders.[32] And

all Members would be eligible to include the optional MQTY instruction on their fully

non-displayed D-Limit orders in the same manner.

Thus, IEX does not believe that the proposed changes raise any new or novel

material issues that have not already been considered by the Commission in connection

with existing order types offered by IEX and other national securities exchanges.

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

The Exchange does not believe that the proposed rule change will impose any

burden on competition that is not necessary or appropriate in furtherance of the purposes

of the Act.

The 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. To the contrary, the proposal is designed to enhance IEX's

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[30] See IEX Rule 11.220(a)(5).
[31] See supra note 11.
[32] See supra note 14.

competitiveness with other markets by further enhancing IEX's D-Limit order type

functionality. As discussed in the Purpose section, the proposal is designed to incentivize

the entry of additional non-displayed liquidity providing orders on IEX by offering

Members the flexibility of including an optional MQTY instruction on fully non-

displayed D-Limit orders. By giving more opportunities to Members to tailor D-Limit

orders to their trading strategies, IEX believes this proposal will increase the overall

liquidity profile on the Exchange, as discussed in the Statutory Basis section.

The Exchange also 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. All Members would be eligible to include the optional

MQTY instruction on their fully non-displayed D-Limit orders in the same manner.

Moreover, the proposal would provide potential benefits to all Members, as discussed in

the Statutory Basis section, to the extent that there is more liquidity available on IEX as a

result of increased use of D-Limit orders attributable to the ability to enter such orders

with a MQTY instruction.

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 Exchange has designated this rule filing as non-controversial under Section

19(b)(3)(A)[33] of the Act and Rule 19b-4(f)(6)[34] thereunder. Because the proposed rule

change does not: (i) significantly affect the protection of investors or the public interest;

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[33] 15 U.S.C. 78s(b)(3)(A).
[34] 17 CFR 240.19b-4(f)(6).

(ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4[35] because it would not significantly affect the protection of investors or the public interest. Rather, the proposed rule change neither significantly affects the protection of investors or the public interest, nor does it impose any burden on competition because it would merely combine the attributes of two existing order types – D-Limit orders and MQTY orders – to expand the functionality available to Members, as discussed in the Purpose section, and does not raise any new or novel material issues that have not already been considered by the Commission in connection with existing order types offered by IEX. Accordingly, IEX has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[36] and paragraph (f)(6) of Rule 19b-4 thereunder.[37]

The Exchange will implement the proposed rule change within 90 days of filing, subject to the 30-day operative delay, and provide at least ten (10) days' notice to Members and market participants of the implementation timeline.

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

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[35] 17 CFR 240.19b-4(f)(6).
[36] 15 U.S.C. 78s(b)(3)(A).
[37] 17 CFR 240.19b-4(f)(6).

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)[38] 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

    (http://www.sec.gov/rules/sro.shtml); or

- Send an email to rule-comments@sec.gov. Please include File Number SR-IEX-

    2023-05 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities

    and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-IEX-2023-05. This file number

should be included in 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

(http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent

amendments, all written statements with respect to the proposed rule change that are filed

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[38] 15 U.S.C. 78s(b)(2)(B).

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 Section, 100 F

Street, NE, Washington, DC 20549, on official business days between the hours of 10:00

a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying

at the IEX's principal office and on its Internet website at www.iextrading.com. All

comments received will be posted without change. Persons submitting comments are

cautioned that we do not redact or edit personal identifying information from comment

submissions. You should submit only information that you wish to make available

publicly. All submissions should refer to File Number SR-IEX-2023-05 and should be

submitted on or before [insert date 21 days from publication in the Federal Register]. For

the Commission, by the Division of Trading and Markets, pursuant to delegated

authority.[39]

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[39] 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

Proposed new language is underlined; proposed deletions are in brackets.

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Rule 11.190. Orders and Modifiers

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(a)　　No change.

(b)　　Order Parameters.

　　　(1)-(6) No change.

　　　(7)　　Discretionary Limit Order. A displayed, nondisplayed, or partially displayed Limit order that upon entry and when posting to the Order Book, is priced to be equal to and ranked at the order's limit price, except under the following circumstances:

　　　(A)-(E) No change.

　　　　　(i)-(v)　　　　No change.

　　　　　(vi)　　　　Non-displayed Discretionary Limit orders may be a MQTY, as defined in paragraph (11) below. Displayed and partially displayed (i.e., reserve) Discretionary Limit orders [M]may not be a MQTY, as defined in paragraph (11) below.

　　　　　(vii)-(ix)　　　　No change.

　　　(8)-(17) No change.

(c)-(h) No change.

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