

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 21	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 19	Amendment No. (req. for Amendments *)
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Filing by Investors' Exchange LLC  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

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

Proposed rule change related to transaction fees pursuant to IEX Rule 15.110.

**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 \*  Last Name \*

Title \*

E-mail \*

Telephone \*  Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date  Chief Regulatory Officer

By

(Name \*)

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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.

**Exhibit 1 - Notice of Proposed Rule Change \***

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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)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

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.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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.

**Exhibit 4 - Marked Copies**

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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.

**Exhibit 5 - Proposed Rule Text**

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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.

**Partial Amendment**

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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.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c) (the “Fee Schedule”) to modify certain promotional pricing incentives for the execution of Discretionary Limit (“D-Limit”) orders. Changes to the Fee Schedule pursuant to this proposal are effective upon filing,<sup>3</sup> and the Exchange plans to implement the changes on January 1, 2021.

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.

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

<sup>2</sup> 17 CFR 240.19b-4.

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

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Claudia Crowley  
Chief Regulatory Officer  
Investors Exchange LLC  
917-509-9001

James G. Buckley  
Regulatory Consultant  
Investors Exchange LLC  
917-748-8982

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

(a) Purpose

The Exchange proposes to amend its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to modify certain pricing incentives currently applicable to executions of Discretionary Limit ("D-Limit"), Discretionary Peg ("D-Peg"), and Midpoint Peg ("M-Peg") order executions that were implemented with the launch of the D-limit order type on October 1 2020.<sup>4</sup> Specifically, the Exchange proposes to eliminate the fee discount of \$0.0002 per executed share available to IEX Members<sup>5</sup> for liquidity-providing D-Peg and M-Peg orders.

The D-Limit order type was approved by the Commission on August 26, 2020,<sup>6</sup> and is designed to protect liquidity providers from potential adverse selection by latency arbitrage trading strategies in a fair and nondiscriminatory manner. A D-Limit order may be a displayed or non-displayed limit order that upon entry and when posting to the Order

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<sup>4</sup> See Securities Exchange Act Release No. 89967 (September 23, 2020), 85 FR 63616 (October 8, 2020) (SR-IEX-2020-14).

<sup>5</sup> See IEX Rule 1.160(s).

<sup>6</sup> See Securities Exchange Act Release No. 89686 (August 26, 2020), 85 FR 54438 (September 1, 2020) (SR-IEX-2019-15).

Book<sup>7</sup> 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).<sup>8</sup> Otherwise, a D-Limit order operates in the same manner as either a displayed or non-displayed limit order, as applicable,<sup>9</sup> and accordingly, the Exchange determined that liquidity-taking D-Limit orders would be subject to the same transaction fees as other displayed or non-displayed orders.<sup>10</sup>

Currently, a D-Limit order that provides liquidity and is executed at a price at or above \$1.00 results in a free execution.<sup>11</sup> In addition, D-Peg and M-Peg orders that provide liquidity and execute at a price at or above \$1.00 per share are currently subject to a discount of \$0.0002 per share from the fee that would otherwise be charged for the number of shares of such orders executed up to the number of shares of D-Limit orders that provided liquidity and executed at a price at or above \$1.00 per share during such time period by the same Member, measured on a monthly basis.<sup>12</sup>

The fee discounts were designed to provide a narrowly tailored incentive for Members to utilize D-limit orders, a new and innovative order type, taking into account that Members seeking to utilize the new D-Limit order type may have needed to modify

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<sup>7</sup> See IEX Rule 1.160(p).

<sup>8</sup> See IEX Rules 11.190(b)(7) and 11.190(g).

<sup>9</sup> See IEX Rule 11.190(b)(7).

<sup>10</sup> Generally, IEX currently charges \$.0003 per share for any displayed orders that execute (whether they add or remove liquidity) and \$.0009 per share for any non-displayed orders that execute (whether they add or remove liquidity). If the shares execute for less than \$1.00 per share, the Exchange charges 0.30% of the total dollar value of the transaction. See IEX Fee Schedule, <https://iextrading.com/trading/fees/>.

<sup>11</sup> See IEX Fee Schedule, <https://iextrading.com/trading/fees/>.

<sup>12</sup> For purposes of the discount, IEX aggregates all of a Member's MPIDs to calculate each Member's D-Peg, M-Peg, and D-Limit liquidity providing orders on a monthly basis. Upon a Member's request and subject to IEX's review and verification of the affiliate's relationship to the requesting Member, IEX will aggregate the Member's activity with activity of the Member's affiliated Member(s).

and test new trading strategies and order entry systems in order to do so. Accordingly, the pricing incentives implemented by the Exchange were designed to provide a meaningful economic incentive for such efforts and to encourage use of this new order type.

However, IEX has concluded that, while free executions for liquidity providing D-Limit orders priced at or above \$1.00 continues to be an appropriate incentive, elimination of the related fee discount of \$0.0002 per share for the execution of liquidity providing D-Peg and M-Peg orders is appropriate in order to simplify the fee structure. Specifically, based on informal discussions with Members, the Exchange understands that the fee discounts for non-D-Limit related order flow has created complexities in tracking applicable fees and corresponding billing for some Members and therefore do not provide a meaningful incentive for the use of D-Limit orders. As a result, the Exchange proposes to eliminate the fee discount of \$0.0002 per share for the execution of liquidity providing D-Peg and M-Peg orders.

The Fee Schedule will continue to provide that execution of a D-Limit order that adds liquidity will result in a free execution, with the exception of executions below \$1.00, which will continue to be assessed a fee of 0.30% of TDV (unless otherwise eligible for a free execution in accordance with the IEX Fee Schedule).

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>13</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>14</sup> of the Act, in

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<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(4).

particular, in that it is designed to provide for the equitable allocation of reasonable fees among IEX Members and persons using its facilities. Additionally, IEX believes that the proposed changes to the Fee Schedule are consistent with the investor protection objectives of Section 6(b)(5)<sup>15</sup> of the Act, in particular, in that they are 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; 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; and are not designed to permit unfair discrimination between customers, brokers, or dealers.

The Exchange believes that the proposed changes are consistent with the Act because they will be applicable to all Members on a fair, equal and nondiscriminatory basis. The transaction fee discount was part of a narrowly tailored approach, designed to maximize participation for the launch of D-Limit, while free executions for liquidity providing D-Limit orders priced at or above \$1.00 per share is designed to provide the primary pricing incentive. As with any new order type, the implementation of D-Limit required a period during which Members needed to become familiar with its operation and potentially adjust order entry systems and trading strategies to effectively use D-Limit orders. However, based on informal Member feedback regarding the complexity such discounts have created, IEX believes that the transaction fee discounts are no longer necessary to incentivize Members to use D-Limit orders.

The Exchange further believes that the proposed amendment is consistent with the

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<sup>15</sup> 15 U.S.C. 78f(b)(5).

Act's requirement that the Exchange provide for an equitable allocation of fees. The Exchange's proposal involves the elimination of transaction fee incentives that were available to all Members based on executions of liquidity adding D-Peg and M-Peg orders. Similarly, eliminating the transaction fee incentive will apply in an equal and nondiscriminatory manner to all Members. All Members will continue to be subject to the same fees for the use of D-Limit orders. Moreover, eliminating the fee discount will operate to simplify the Exchange's fee structure and reduce any corresponding order tracking and billing complexities on the part of Members.

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 fees 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 easily direct their orders to competing venues, including off-exchange venues, if its fees are viewed as non-competitive. Moreover, IEX believes that the proposed fees, as amended, continue to be designed to enhance competition by increasing the Exchange's pool of both displayed and non-displayed liquidity, and to the extent that displayed liquidity increases, would contribute to the public price discovery process. Further, subject to the SEC rule filing process, other exchanges could adopt a similar order type and fee incentive.

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. While Members that add liquidity using certain D-Limit orders will be subject to different fees based on this usage, those differences are not based on the type of Member entering orders but on whether the Member chose to submit certain liquidity providing D-Limit orders. As noted above, not only can any Member submit certain liquidity adding D-Limit orders, but every Member would benefit from the availability of more liquidity on the Exchange that the proposed fees are designed to incentivize. The Exchange is proposing to eliminate discounted transaction fees for certain D-Peg and M-peg orders that were part of a narrowly tailored incentive for Members to begin using the D-Limit order type. As discussed in the Purpose and Statutory Basis sections, the Exchange has concluded that the fee transaction discounts are no longer necessary to incentivize Members to use D-Limit orders and can operate to introduce certain complexities in order tracking and billing. Accordingly, the Exchange does not believe that eliminating the transaction fee discounts will have any impact on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>16</sup> IEX has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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) of the Act to determine whether the proposed rule change should be approved or disapproved.<sup>17</sup>

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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

Not applicable.

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

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of the Proposed Rule Change for Publication in the Federal Register.

Exhibit 5 – Text of Proposed Rule Change.

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<sup>17</sup> 15 U.S.C. 78s(b)(2)(B).

## EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34 -     ); File No. SR-IEX-2020-19)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Transaction Fees Pursuant to IEX Rule 15.110.

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 (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,<sup>4</sup> and Rule 19b-4 thereunder,<sup>5</sup> IEX is filing with the Commission a proposed rule change to amend its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c) (the “Fee Schedule”) to modify certain promotional pricing incentives for the execution of Discretionary Limit (“D-Limit”) orders. Changes to the Fee Schedule pursuant to this proposal are effective upon filing,<sup>6</sup> and the Exchange plans to implement the changes on January 1, 2021.

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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> 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 amend its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to modify certain pricing incentives currently applicable to executions of Discretionary Limit ("D-Limit"), Discretionary Peg ("D-Peg"), and Midpoint Peg ("M-Peg") order executions that were implemented with the launch of the D-limit order type on October 1 2020.<sup>7</sup> Specifically, the Exchange proposes to eliminate the fee discount of \$0.0002 per executed share available to IEX Members<sup>8</sup> for liquidity-providing D-Peg and M-Peg orders.

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<sup>7</sup> See Securities Exchange Act Release No. 89967 (September 23, 2020), 85 FR 63616 (October 8, 2020) (SR-IEX-2020-14).

<sup>8</sup> See IEX Rule 1.160(s).

The D-Limit order type was approved by the Commission on August 26, 2020,<sup>9</sup> and is designed to protect liquidity providers from potential adverse selection by latency arbitrage trading strategies in a fair and nondiscriminatory manner. A D-Limit order may be a displayed or non-displayed limit order that upon entry and when posting to the Order Book<sup>10</sup> 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).<sup>11</sup> Otherwise, a D-Limit order operates in the same manner as either a displayed or non-displayed limit order, as applicable,<sup>12</sup> and accordingly, the Exchange determined that liquidity-taking D-Limit orders would be subject to the same transaction fees as other displayed or non-displayed orders.<sup>13</sup>

Currently, a D-Limit order that provides liquidity and is executed at a price at or above \$1.00 results in a free execution.<sup>14</sup> In addition, D-Peg and M-Peg orders that provide liquidity and execute at a price at or above \$1.00 per share are currently subject to a discount of \$0.0002 per share from the fee that would otherwise be charged for the number of shares of such orders executed up to the number of shares of D-Limit orders that provided liquidity and executed at a price at or above \$1.00 per share during such

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<sup>9</sup>See Securities Exchange Act Release No. 89686 (August 26, 2020), 85 FR 54438 (September 1, 2020) (SR-IEX-2019-15).

<sup>10</sup> See IEX Rule 1.160(p).

<sup>11</sup> See IEX Rules 11.190(b)(7) and 11.190(g).

<sup>12</sup> See IEX Rule 11.190(b)(7).

<sup>13</sup> Generally, IEX currently charges \$.0003 per share for any displayed orders that execute (whether they add or remove liquidity) and \$.0009 per share for any non-displayed orders that execute (whether they add or remove liquidity). If the shares execute for less than \$1.00 per share, the Exchange charges 0.30% of the total dollar value of the transaction. See IEX Fee Schedule, <https://iextrading.com/trading/fees/>.

<sup>14</sup> See IEX Fee Schedule, <https://iextrading.com/trading/fees/>.

time period by the same Member, measured on a monthly basis.<sup>15</sup>

The fee discounts were designed to provide a narrowly tailored incentive for Members to utilize D-limit orders, a new and innovative order type, taking into account that Members seeking to utilize the new D-Limit order type may have needed to modify and test new trading strategies and order entry systems in order to do so. Accordingly, the pricing incentives implemented by the Exchange were designed to provide a meaningful economic incentive for such efforts and to encourage use of this new order type.

However, IEX has concluded that, while free executions for liquidity providing D-Limit orders priced at or above \$1.00 continues to be an appropriate incentive, elimination of the related fee discount of \$0.0002 per share for the execution of liquidity providing D-Peg and M-Peg orders is appropriate in order to simplify the fee structure. Specifically, based on informal discussions with Members, the Exchange understands that the fee discounts for non-D-Limit related order flow has created complexities in tracking applicable fees and corresponding billing for some Members and therefore do not provide a meaningful incentive for the use of D-Limit orders. As a result, the Exchange proposes to eliminate the fee discount of \$0.0002 per share for the execution of liquidity providing D-Peg and M-Peg orders.

The Fee Schedule will continue to provide that execution of a D-Limit order that adds liquidity will result in a free execution, with the exception of executions below \$1.00, which will continue to be assessed a fee of 0.30% of TDV (unless otherwise

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<sup>15</sup> For purposes of the discount, IEX aggregates all of a Member's MPIDs to calculate each Member's D-Peg, M-Peg, and D-Limit liquidity providing orders on a monthly basis. Upon a Member's request and subject to IEX's review and verification of the affiliate's relationship to the requesting Member, IEX will aggregate the Member's activity with activity of the Member's affiliated Member(s).

eligible for a free execution in accordance with the IEX Fee Schedule).

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>16</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>17</sup> of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable fees among IEX Members and persons using its facilities. Additionally, IEX believes that the proposed changes to the Fee Schedule are consistent with the investor protection objectives of Section 6(b)(5)<sup>18</sup> of the Act, in particular, in that they are 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; 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; and are not designed to permit unfair discrimination between customers, brokers, or dealers.

The Exchange believes that the proposed changes are consistent with the Act because they will be applicable to all Members on a fair, equal and nondiscriminatory basis. The transaction fee discount was part of a narrowly tailored approach, designed to maximize participation for the launch of D-Limit, while free executions for liquidity providing D-Limit orders priced at or above \$1.00 per share is designed to provide the primary pricing incentive. As with any new order type, the implementation of D-Limit required a period during which Members needed to become familiar with its operation and potentially adjust order entry systems and trading strategies to effectively use D-

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<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(4).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

Limit orders. However, based on informal Member feedback regarding the complexity such discounts have created, IEX believes that the transaction fee discounts are no longer necessary to incentivize Members to use D-Limit orders.

The Exchange further believes that the proposed amendment is consistent with the Act's requirement that the Exchange provide for an equitable allocation of fees. The Exchange's proposal involves the elimination of transaction fee incentives that were available to all Members based on executions of liquidity adding D-Peg and M-Peg orders. Similarly, eliminating the transaction fee incentive will apply in an equal and nondiscriminatory manner to all Members. All Members will continue to be subject to the same fees for the use of D-Limit orders. Moreover, eliminating the fee discount will operate to simplify the Exchange's fee structure and reduce any corresponding order tracking and billing complexities on the part of Members.

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 fees 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 easily direct their orders to competing venues, including off-exchange venues, if its fees are viewed as non-competitive. Moreover, IEX believes that the proposed fees, as amended, continue to be designed to enhance competition by increasing the Exchange's pool of both displayed and non-displayed liquidity, and to the extent that displayed liquidity increases, would contribute to the public price discovery

process. Further, subject to the SEC rule filing process, other exchanges could adopt a similar order type and fee incentive.

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. While Members that add liquidity using certain D-Limit orders will be subject to different fees based on this usage, those differences are not based on the type of Member entering orders but on whether the Member chose to submit certain liquidity providing D-Limit orders. As noted above, not only can any Member submit certain liquidity adding D-Limit orders, but every Member would benefit from the availability of more liquidity on the Exchange that the proposed fees are designed to incentivize. The Exchange is proposing to eliminate discounted transaction fees for certain D-Peg and M-peg orders that were part of a narrowly tailored incentive for Members to begin using the D-Limit order type. As discussed in the Purpose and Statutory Basis sections, the Exchange has concluded that the fee transaction discounts are no longer necessary to incentivize Members to use D-Limit orders and can operate to introduce certain complexities in order tracking and billing. Accordingly, the Exchange does not believe that eliminating the transaction fee discounts will have any impact on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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>19</sup> of the Act.

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>20</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 (<http://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-2020-19 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-2020-19. This file number should be included in the subject line if email is used. To help the Commission process

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<sup>19</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>20</sup> 15 U.S.C. 78s(b)(2)(B).

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 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](http://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-2020-19 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.<sup>21</sup>

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<sup>21</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 5 – Text of Proposed Rule Change

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

**Investors Exchange Fee Schedule**

Effective [October 1, 2020] January 1, 2021

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**Transaction fees**

- All fees identify cost per share executed unless otherwise specified.
- Footnotes provide further explanatory text or indicate variable rate changes, provided the conditions in the footnote are met.
- The rates listed in the Base Rates table apply unless a Member's transaction is assigned a Fee Code other than a Base Fee Code (an "Additional Fee Code"). If a Member's transaction is assigned an Additional Fee Code, the rates listed in the Fee Codes and Associated Fees table will apply.
- Executions below \$1.00 are assessed a fee of 0.30% of TDV unless the Fee Code Combination results in a FREE execution.
- The Exchange passes-through in full any fees charged by/rebates received from away venues ("Cost") to the Member and adds the IEX fee (i.e., a \$0.0001 charge per share).
- [Certain executions of] A Discretionary Limit ("D-Limit") [, Discretionary Peg ("D-Peg") and Midpoint Peg ("M-Peg")] order[s are subject to the following fees in lieu of those otherwise specified unless a lower fee applies, with the exception of executions below \$1.00, which will continue to be assessed a fee of 0.30% of TDV unless the Fee Code Combination results in a FREE execution:
  - A D-Limit order] that provides liquidity results in a FREE execution[.], with the exception of executions below \$1.00, which will continue to be assessed a fee of 0.30% of TDV unless the Fee Code Combination results in a FREE execution.[
  - D-Peg and M-Peg orders that provide liquidity will be subject to a discount of \$0.0002 per share from the fee that would otherwise be charged for the number of shares of such orders executed up to the number of shares of D-Limit orders that provided liquidity during such time period by the same Member, measured on a monthly basis.
  - IEX will aggregate all of a Member's MPIDs to calculate each Member's D-Peg, M-Peg, and D-Limit liquidity providing orders on a monthly basis. In addition, a Member may request that the Exchange aggregate its activity with activity of such Member's affiliated Members. A Member requesting aggregation of affiliate activity is required to certify to the Exchange the affiliate status of Members whose activity it seeks to aggregate prior to receiving approval for aggregation and inform the Exchange immediately of any event that causes an entity to cease being an affiliate. The Exchange shall review available information regarding the entities and reserves the right to request additional information to verify the affiliate status of an entity. The Exchange shall approve a request unless it determines that the certification is not accurate. For purposes of applying the D-

Limit fees and associated discounts for certain D-Peg and M-Peg orders, references to Member shall include the Member and any of its affiliates that have been approved for aggregation, and the term “affiliate” shall mean any Member under 75% common ownership or control of that Member.]

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