# CORPORATE D-PEG (C-PEG)

A new standard for trading corporate buybacks

## Overview

Except as otherwise specified, Corporate Discretionary Peg ("Corporate D-Peg" or "C-Peg") acts in accordance with D-Peg functionality. Key differences include:

-   Must be sent as its own order type (ExecInst [18] = z)
-   Only available for buy orders
-   Only eligible to trade at the midpoint of the NBBO if it's less than or equal to the last sale price and the order's limit price (if any)
-   Rests at the least aggressive (lowest) of 1 MPV below the NBB, the last sale, or the limit price
-   DAY orders sent pre-market are queued for the continuous session (IOC, FOK, GTT, GTX, SYS orders will be rejected if sent during the Pre-Market or Post-Market sessions)
-   Prioritized on parity with other D-Peg orders (i.e., prioritized based on price-time priority with respect to other D-Peg orders)
-   Not executable until at least one consolidated last sale trade in the security has occurred on the current day

## Rule 10b-18 Safe Harbor Assistance

The C-Peg order type is designed to assist with compliance with the trade price provision of the SEC Rule 10b-18 safe harbor. It will also assist with compliance with one aspect of the time of purchase conditions by not being executable as the first trade of the day in the stock.[1] Other 10b-18 restrictions (i.e., timing, whether the last sale transaction was an "independent" transaction with respect to the issuer, manner of purchase, volume) will not be enforced. A C-Peg order will also not peg to the highest independent bid, even if higher than the consolidated last sale price (which is permitted by the safe harbor).
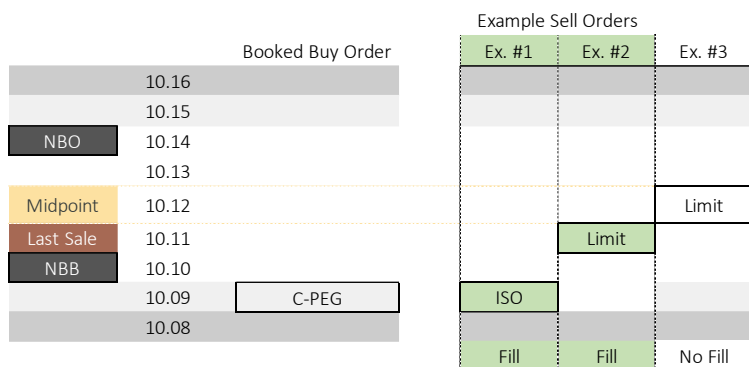
Use of a C-Peg order will not guarantee that the order meets the safe harbor conditions, and Members submitting C-Peg orders on behalf of issuers and their affiliated purchasers, as well as the issuers and their affiliated purchasers themselves, remain fully responsible for all aspects of compliance with the Rule 10b-18 safe harbor.

---

[1] *For the safe harbor to apply, buybacks by or on behalf of the issuer (or any of its affiliated purchasers) must comply with four specific provisions with respect to the manner, time, price, and volume of the repurchases, and not be made as "part of a plan or scheme to evade the federal securities laws." See SEC Rule 10b-18 and Securities Exchange Act Release No. 48766 (November 10, 2003), 68 FR 64952, 64954 (November 17, 2003)*

## Scenario 1: Stable Quote

A C-Peg buy order is booked 1 MPV below the NBB with a $10.13 limit during a period of quote stability (as determined by the IEX Signal, i.e., Crumbling Quote Indicator or "CQI"). The last sale was at $10.11.
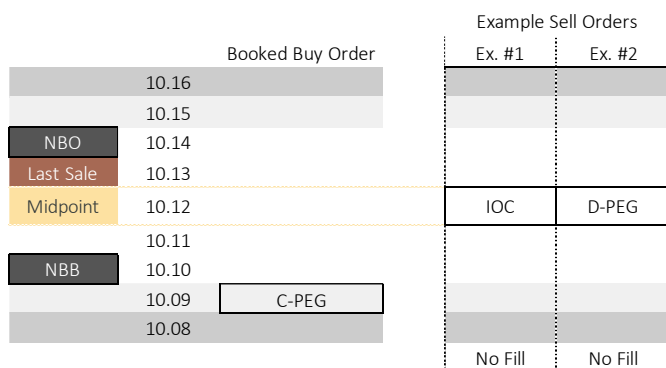
| | Booked Buy Order | Ex. #1 | Ex. #2 | Ex. #3 |
|---|---|---|---|---|
| | | Example Sell Orders | | |
| 10.16 | | | | |
| 10.15 | | | | |
| NBO 10.14 | | | | |
| 10.13 | | | | |
| Midpoint 10.12 | | | | Limit |
| Last Sale 10.11 | | | Limit | |
| NBB 10.10 | | | | |
| 10.09 | C-PEG | ISO | | |
| 10.08 | | | | |
| | | Fill | Fill | No Fill |

**Ex. 1**: ISO sell order with a $10.09 limit crosses the spread; trade occurs at the resting price of $10.09 (lower than last sale of $10.11).

**Ex. 2:** Sell limit order with a $10.11 limit; trade occurs at the discretionary price of $10.11 (equal to last sale).

**Ex. 3:** Sell limit order with a $10.12 limit checks the midpoint; no trade occurs as C-Peg is constrained by the last sale price of $10.11.

## Scenario 2: Unstable Quote

C-Peg buy order is booked 1 MPV below the NBB with a $10.13 limit while the IEX Signal determines that the quote is unstable. The last sale was at $10.13.

| | Booked Buy Order | Ex. #1 | Ex. #2 |
|---|---|---|---|
| | | Example Sell Orders | |
| 10.16 | | | |
| 10.15 | | | |
| NBO 10.14 | | | |
| Last Sale 10.13 | | | |
| Midpoint 10.12 | | IOC | D-PEG |
| 10.11 | | | |
| NBB 10.10 | | | |
| 10.09 | C-PEG | | |
| 10.08 | | | |
| | | No Fill | No Fill |

**Ex. 1**: Sell IOC order with a $10.12 limit checks the midpoint, and C-Peg order recognizes that quote is unstable and does not execute discretion; no trade occurs.

**Ex. 2:** D-Peg sell FOK order with a $10.12 limit checks the midpoint, and C-Peg order recognizes that quote is unstable and does not execute discretion; no trade occurs.

## Scenario 3: Last Sale Price Constraint

C-Peg buy order is booked at the last sale price, $10.08, during a period of quote stability. The NBB is $10.10.

| | Booked Buy Order | Example Sell Orders Ex. #1 | Ex. #2 |
|---|---|---|---|
| 10.16 | | | |
| 10.15 | | | |
| NBO 10.14 | | | |
| 10.13 | | | |
| Midpoint 10.12 | | | |
| 10.11 | | | |
| NBB 10.10 | IEX PBB | | |
| 10.09 | IEX D-PEG | | Limit |
| Last Sale 10.08 | C-PEG | ISO | |
| | | Fill | No Fill |

**Ex. 1**: ISO sell order with a $10.08 limit crosses the spread; trade occurs at the resting price of $10.08 (equal to last sale).

**Ex. 2:** Sell limit order with a $10.09 limit first interacts with any liquidity at the NBB on IEX and then with any resting D-Peg orders; C-Peg will not step up to due to last sale price constraint.

## Pricing

Pricing for C-Peg executions is the same as for regular D-Peg orders.

## More Information

Please see IEX Rule Filing SR-IEX-2019-10 for complete details.

www.iextrading.com     Phone: 646.343.2310     Email: marketops@iextrading.com