

IEX Sponsored Access Frequently Asked Questions

This document contains answers to frequently asked questions about IEX Exchange sponsored access rules, required agreements, available risk tools, and future enhancements.¹

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Q1. Does IEX support sponsored access?

A: IEX supports sponsored access, but currently the associated risk checks are less extensive than those available at other exchanges. These FAQs describe the available risk checks. Please reach out to BDteam@iextrading.com with any questions.

Q2. What is sponsored access?

A: Sponsored access is an arrangement whereby an IEX member (a “Sponsoring Member”) provides a non-member or another member (a “Sponsored Participant”) with the ability to enter orders directly on IEX.

Q3. What is a Sponsoring Member?

A: Pursuant to IEX Rule 1.160(kk), the term “Sponsoring Member” means a broker-dealer that has been issued a membership by the Exchange who has been designated by a Sponsored Participant to execute, clear, and settle transactions resulting from the System. The Sponsoring Member shall be either (i) a clearing firm with membership in a clearing agency registered with the Commission that maintains facilities through which transactions may be cleared or (ii) a correspondent firm with a clearing arrangement with any such clearing firm.

Q4. What is a Sponsored Participant?

A: Pursuant to IEX Rule 1.160(ll), the term “Sponsored Participant” means a person which has entered into a sponsorship arrangement with a Sponsoring Member pursuant to IEX Rule 11.130.

Q5. What requirements are applicable to sponsored access?

A: All sponsored access arrangements are subject to completion of a [Sponsored Access Application](#) and [Sponsored Access Agreement](#) and IEX Rule 11.130, which

¹ IEX Members should also review their compliance obligations under SEC Rule 15c3-5.

provides that a Sponsored Participant may obtain authorized access to the System only if such access is authorized in advance by one or more Sponsoring Members as follows:

- Sponsored Participants must enter into and maintain customer agreements with one or more Sponsoring Members establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on the System, as well as the IEX Sponsored Access Agreement. Such agreement(s) must incorporate the following key provisions²:
 - All orders entered by the Sponsored Participants and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member, and
 - Sponsoring Member is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.
 - Sponsored Participant shall maintain, keep current and provide to the Sponsoring Member, and to the Exchange upon request, a list of Authorized Traders who may obtain access to the System on behalf of the Sponsored Participant. Sponsored Participant shall be subject to the obligations of IEX Rule 11.140 with respect to such Authorized Traders.
 - Sponsored Participant shall familiarize its Authorized Traders with all of the Sponsored Participant's obligations under this IEX Rule and will assure that they receive appropriate training prior to any use or access to the System.
 - Sponsored Participant may not permit anyone other than Authorized Traders to use or obtain access to the System.
 - Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to the System, including unauthorized entry of information into the System, or the information and data made available therein. Sponsored Participant understands and agrees that Sponsored Participant is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of Authorized Traders, and for the trading and other consequences thereof.
 - Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its

² See IEX Rule 11.130 for a full list of applicable requirements.

employees', agents' and customers' use and access to the System for compliance with the terms of the User Agreement.

- Sponsored Participant shall pay when due all amounts, if any, payable to Sponsoring Member, the Exchange or any other third parties that arise from the Sponsored Participant's access to and use of the System. Such amounts include, but are not limited to applicable exchange and regulatory fees.
- The Sponsoring Member must provide the Exchange with a written statement in form and substance acceptable to the Exchange identifying each Sponsored Participant by name and MPID and acknowledging its responsibility for the orders, executions and actions of such Sponsored Participant.

Q5. What risk management checks are imbedded in the IEX system?

A: The following risk related checks are imbedded in the IEX system:

- Single order quantity – reject a single order that exceeds a quantity limit
- Single order notional value – reject a single order that exceeds a notional value limit
- Message rates – limit number of messages per second per logical port across all symbols
- Locate – require an order to indicate that a locate was obtained
- ISO order type – reject ISO orders if not authorized by Sponsoring Member
- Sell short exempt – reject if not authorized by Sponsoring Member
- Sub-penny – reject orders that are priced in violation of NMS Rule 612
- Invalid symbol—reject orders with invalid symbols
- Market order restriction – restrict if not authorized by Sponsoring Member
- Cancel on Disconnect – cancel all open orders on a session when disconnect occurs
- Order price collars– prevents orders from executing outside of a collar (orders are repriced and posted to the order book or cancelled per user instruction)
- Router constraint – prevents an order from routing at price more aggressive than router constrain price range using clearly erroneous execution numerical guidelines (orders are instead cancelled)
- Crossed market collar – imposes pricing restrictions when market is crossed
- Limit Up-Limit Down – prevents orders from executing outside the bands

Q6. What are IEX's future plans to add additional risk related checks?

A: IEX is exploring expanding its imbedded risk management checks. We are interested in feedback from Members on additional functionality that would be useful.