

Required fields are shown with yellow backgrounds and asterisks.

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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" 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) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

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

Description

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

Proposed rule change to add a new Offset Peg order type that pegs to the primary quote, plus or minus an offset amount.

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 *
Claudia	Crowley
Title *	
Chief Regulatory Officer	
E-mail *	
claduaia.crowley@iextrading.com	
Telephone *	Fax
(646) 343-2041	


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	Lead Regulation Counsel	
10/05/2020		
By		
Nathaniel Kolodny		
(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 *

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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”),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 add a new order type (a “Offset Peg” or “O-Peg” order) that pegs to the primary quote³, plus or minus an offset amount. The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act⁴ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁵

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The primary quote is the national best bid for a buy order or the national best offer for a sell order. See IEX Rule 1.160(u).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4.

respect to the proposed rule change are complete.

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
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 Exchange proposes to amend IEX Rule 11.190 to add a new Offset Peg or O-Peg order type that pegs to the primary quote⁶, plus or minus an offset amount specified by the User⁷. In addition, the Exchange proposes two accommodating amendments to IEX Rule 11.190 to describe how O-Peg orders will behave when executed at the Midpoint Price⁸ and in locked and crossed markets.

Currently, the Exchange offers three types of pegged orders – primary peg, midpoint peg and Discretionary Peg⁹ – each of which are non-displayed orders that upon entry into the System¹⁰ and while resting on the Order Book¹¹, are pegged to a reference price based on the national best bid and offer (“NBBO”) and the price of the order is automatically adjusted by the System in response to changes in the NBBO.

The Exchange proposes to add a new type of pegged order – an Offset Peg order –

⁶ See supra note 3.

⁷ See IEX Rule 1.160(qq).

⁸ See IEX Rule 1.160(t).

⁹ IEX has two other order types that are based on the discretionary peg order type: the Retail Liquidity Provider order and the Corporate Discretionary Peg order. See IEX Rule 11.190(b)(14) and (16).

¹⁰ See IEX Rule 1.160(nn).

¹¹ See IEX Rule 1.160(p).

that is a non-displayed pegged order that upon entry and when posting to the Order Book, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of the primary quote (i.e., the NBB¹² for buy orders and NBO¹³ for sell orders) plus or minus an offset amount specified by the User or the order's limit price, if any. While resting on the Order Book, (i) a buy order is automatically adjusted by the System in response to changes in the NBB plus or minus the offset amount up to the order's limit price, if any; and (ii) a sell order is automatically adjusted by the System in response to changes in the NBO plus or minus the offset amount down to the order's limit price, if any; and (iii) in locked and crossed markets, slide one MPV¹⁴ less aggressive than the locking price or crossing price (i.e., the lowest Protected Offer¹⁵ for buy orders and the highest Protected Bid¹⁶ for sell orders).¹⁷ Further, an Offset Peg order would not be eligible to trade when the market is locked or crossed, either upon order entry or when resting on the Order Book.

While Offset Peg orders would not be limited to trading more aggressively than the primary quote, based on informal feedback from Members, IEX understands that Offset Peg orders would be useful to market participants seeking to trade between the primary quote and the Midpoint Price.

Accordingly, IEX proposes to amend subparagraph (b)(13) of IEX Rule 11.190, which is currently reserved, to add the Offset Peg order. As proposed, an Offset Peg

¹² See IEX Rule 1.160(u).

¹³ See IEX Rule 1.160(u).

¹⁴ See IEX Rule 11.210.

¹⁵ See IEX Rule 1.160(bb).

¹⁶ See IEX Rule 1.160(bb).

¹⁷ As with all pegged orders, each time the price of an Offset Peg order is adjusted by the System it receives a new timestamp, as described in IEX Rule 11.220.

order:

- (A) Must be a pegged order.
- (B) Must have a TIF of DAY, GTT, GTX, or SYS, as described in IEX Rule 11.190(a)(3).
- (C) Is not eligible for routing pursuant to IEX Rule 11.230(b) and (c)(2).
- (D) May not be an ISO, as defined in paragraph (12) above.
- (E) May be submitted with a limit price or without a limit price (an “unpriced pegged order”).
- (F) Is eligible to trade only during the Regular Market Session. As provided in IEX Rule 11.190(a)(3)(E)(iii), any pegged order marked with a TIF of DAY that is submitted to the System before the opening of the Regular Market Session will be queued by the System until the start of the Regular Market Session; any pegged order that is marked with a TIF other than DAY will be rejected when submitted to the System during the Pre-Market Session. Any pegged order submitted into the System after the closing of the Regular Market Session will be rejected.
- (G) May be a MQTY, as defined in paragraph (11) below.
- (H) Is not eligible to display. Pegged orders are always non-displayed.
- (I) May be an odd lot, round lot, or mixed lot.
- (J) Is eligible to be invited by the System to Recheck as described in IEX Rule 11.230(a)(4)(D).
- (K) Is not eligible to trade when the market is locked or crossed.
- (L) May be submitted with an offset amount that is either aggressive or passive compared to the primary quote. If the offset amount would result in the price of an Offset Peg order being more aggressive than the Midpoint Price, the offset amount will be reduced so that the order is priced at the Midpoint Price until such time as the full value of the offset amount will not result in the price of the Offset Peg order being more aggressive than the Midpoint Price, except when the order is an active order.¹⁸ If the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in IEX Rule 11.210, the price of a buy order will be rounded down and the price of a sell order will be rounded up to the nearest permissible increment. If no offset amount is specified, the System will consider the offset amount to be zero.

In addition, the Exchange proposes two accommodating amendments to other IEX rules. First, IEX Rule 11.190(a)(3) would be amended to specify that an Offset Peg may be executed in sub-pennies if necessary when the execution is at or constrained to

¹⁸ See IEX Rule 1.160(b).

the midpoint and the order executes at the Midpoint Price. This is consistent with the fact that midpoint peg orders and Discretionary Peg orders can execute at a Midpoint Price in sub-pennies.¹⁹ Second, the Exchange proposes amendments to IEX Rule 11.190(h) to describe the manner in which Offset Peg orders will operate in locked and crossed markets. Specifically, when the market becomes locked, Offset Peg orders resting on or posting to the Order Book will be priced at the less aggressive of the locking price plus or minus an offset amount or the order's limit price, if any.²⁰ However, an Offset Peg with an offset amount that would otherwise result in the order being priced more aggressive than the locking price will be priced at the locking price pursuant to the Midpoint Price Constraint. When the market becomes crossed, the Exchange considers the Midpoint Price to be indeterminable,²¹ and resting Offset Peg orders that would otherwise be subject to the Midpoint Price Constraint pursuant to IEX Rule 11.190(h)(3)(D) (i.e., because the price of the order would be more aggressive than the Midpoint Price) will be priced to be no more aggressive than the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders. Further, as proposed, Offset Peg orders resting on or posting to the Order Book while the market is crossed are priced at the least aggressive of (1) the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders) plus or minus an offset amount, (2) the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders), or (3) the order's limit price, if any.

¹⁹ An execution at a sub-penny Midpoint Price is not prohibited by Rule 612 under Regulation NMS so long as the execution did not result from an impermissible sub-penny order or quotation. See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37556 (June 29, 2005) (File No. S7-10-04) ("NMS Adopting Release").

²⁰ See IEX Rule 11.190(h)(3)(C).

²¹ See IEX Rule 11.190(h)(3)(D).

The methodology for pricing Offset Peg orders during locked and crossed markets is designed to price such orders at the least aggressive price that is consistent with the terms of the order so as to avoid exacerbating the lock or cross.

In addition, Offset Peg orders will not be eligible to trade when the market is locked or crossed, and an Offset Peg order that would otherwise be eligible to trade against an active order will surrender its precedence on the Order Book for the duration of the System processing the current active order, pursuant to IEX Rule 11.220(a)(5).

The manner in which Offset Peg orders will operate in locked and crossed markets (as proposed) is similar to the manner in which other pegged order types operate, except that other pegged orders are eligible to trade when the market is locked or crossed. Offset Peg orders are designed to enable a market participant to capture part of the spread between the NBBO; when the NBBO is locked or crossed there is uncertainty as to the spread. Consequently, the Exchange believes that Offset Peg orders should not trade in such circumstances.

The Exchange notes that for many years other national securities exchanges have offered order types that peg to the NBB and/or NBO plus or minus an offset amount.²² In this regard, the Exchange notes that this proposed rule change is substantially similar to order types offered by the Nasdaq Stock Market LLC (“Nasdaq”), NYSE Arca, Inc. (“Arca”) and CBOE BZX Exchange, Inc. (“BZX”), each of which offer a nondisplayed primary or market pegged order type or attribute that pegs to the inside quotation on the same side of the market (i.e., the NBB for a buy order and the NBO for a sell order) and

²² See, e.g., Securities Exchange Act Release No. 52449 (September 15, 2005), 70 FR 55647 (September 22, 2005) (File No. SR-NASD-2005-107).

may also specify an aggressive or passive offset amount.²³

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,²⁴ in general, and furthers the objectives of Section 6(b)(5),²⁵ 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 increase competition among execution venues by providing an additional pegged order type that market participants can use to trade at an offset to the primary quote, as described in the Purpose section and thereby enable the Exchange to better compete with order types on other national securities exchanges that offer similar features to market participants.

Further, IEX believes that the proposal is consistent with the protection of investors and the public interest in that the Offset Peg order type would provide additional flexibility to market participants in their use of pegging orders. As described in the Purpose section, IEX already offers several different types of pegging orders that trade with reference to the primary quote (Discretionary Peg and primary peg), at the Midpoint Price (Midpoint Peg), and in some cases with the ability to also exercise price

²³ See Nasdaq Rule 4703(d), NYSE Arca Rule 7.31-E(h)(1), and Cboe BZX Rule 11.9(c)(8)(A).

²⁴ 15 U.S.C. 78f(b).

²⁵ 15 U.S.C. 78f(b)(5).

discretion in specified circumstances (Discretionary Peg and primary peg). As proposed, the Offset Peg order would function in a similar manner but provide flexibility to market participants to specify an offset to the primary quote. Such functionality could be used for a number of purposes, including to mitigate risk by posting an order at a price that is lower or higher than the prevailing NBB or NBO. Although broker-dealers could implement similar functionality on their own by consuming market data feeds and sending limit orders to the Exchange at prices that are offset from the NBBO, implementing this functionality through an exchange order type ensures that it is widely available to market participants on a fair and non-discriminatory basis. At the same time, the offset instruction would be offered on a purely voluntary basis, and with flexibility for Users to choose the amount of any offset, thereby providing flexibility to continue using current pegged order types without a User specified offset and to choose different offsets based on a User's specific needs. The Exchange does not believe that providing flexibility to Users to select the amount of any offset raises any significant or novel concerns, since similar offset functionality is already available on other national securities exchanges, as discussed in the Purpose section.²⁶

Further, IEX believes that it is consistent with the Act to not permit an Offset Peg order to trade when the market is locked or crossed. While IEX's current pegged order types are eligible to trade in such circumstances, they are repriced away from the locking and crossing price (except for Midpoint Peg orders in a locked market which continue to be priced at the locking Midpoint Price) which is designed to reduce the incidence of trading when the market is locked or crossed. As noted in the Purpose section, Offset Peg

²⁶ See supra note 23

orders are designed to enable a market participant to capture part of the spread between the NBBO; when the NBBO is locked or crossed there is uncertainty as to the spread. Consequently, the Exchange believes that Offset Peg orders should not trade in such circumstances.²⁷ Moreover, similar order types on other national securities exchange are explicitly not eligible to trade in locked and crossed markets.²⁸ Additionally, IEX believes that the methodology for pricing Offset Peg orders during locked and crossed markets is consistent with the Act because it is designed to price such orders at the least aggressive price that is consistent with the terms of the order so as to avoid exacerbating the lock or cross.

In addition, the Exchange believes that it is consistent with the Act to round the price of a buy order down and a sell order up to the nearest permissible increment if the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in IEX Rule 11.210. Rounding assures that IEX is compliant with Regulation NMS Rule 612²⁹ and IEX Rule 11.210. Moreover, this approach is consistent

²⁷ In contrast, IEX's other pegged order types are designed to enable a market participant to capture liquidity pursuant to the terms of the order type so the Exchange has chosen not to impose a restriction on trading in locked and crossed markets.

²⁸ See, e.g., NYSE Arca Rule 7.31-E(h)(1)(B).

²⁹ See 17 CFR 242.612 and FAQs 8, 1, and 2 in Division of Market Regulation: Responses to Frequently Asked Questions Concerning Rule 612 (Minimum Pricing Increment) of Regulation NMS, available at <https://www.sec.gov/divisions/marketreg/subpenny612faq.htm> which provides that although exchanges (and broker-dealers) may not accept and round orders in NMS stocks explicitly priced in sub-penny increments (FAQs 8 and 1), they may accept such orders when the order is not "explicitly" priced in an impermissible sub-penny increment, meaning that a calculation must be performed to obtain the price of the order, in which case the exchange or broker-dealer may round the price of the stock to determine the "actual explicit price for the order." (FAQ 2). IEX believes that Offset Peg orders would not be explicitly priced in sub-penny increments even if the offset amount specified is in a sub-penny increment because the Exchange would need to perform a calculation to obtain the price of the order by applying the offset amount to the NBB or NBO as applicable. Accordingly, IEX believes that rounding as proposed is consistent with Rule 612 under Regulation NMS and relevant FAQs. which provides that exchanges (and broker-dealers) may not accept and round orders in NMS

with the way other national securities exchanges handle pegged orders.³⁰

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 the 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. To the contrary, the proposal is a competitive response to similar order types available on other exchanges.

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. Competing exchanges have and can continue to adopt similar order types, subject to the SEC rule change process, as discussed in the Purpose and Statutory Basis sections.³¹

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 use an Offset Peg order type on the same terms.

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

stocks explicitly priced in sub-penny increments (FAQs 8 and 1), except for when the order is not “explicitly” priced in an impermissible sub-penny increment, in which case the exchange may round the price of the stock to determine the “actual explicit price for the order.” (FAQ 2).

³⁰ See e.g. Cboe US Equities FIX Specification (Version 2.8.18) describing treatment of Tag 211 regarding “Pegged Difference” available at

https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf.

³¹ See supra notes 23 and 26.

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 Act³² and paragraph (f)(6) of Rule 19b-4 thereunder.³³ 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.³⁴

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4³⁵ because it is substantially similar to order types previously approved or considered by the Commission and as discussed in the Statutory Basis and Burden on Competition sections.³⁶ 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.

Accordingly, the Exchange has designated this rule filing as non-controversial

³² 15 U.S.C. 78s(b)(3)(A).

³³ 17 CFR 240.19b-4.

³⁴ 17 CFR 240.19b-4(f)(6)(iii).

³⁵ 17 CFR 240.19b-4(f)(6).

³⁶ See supra notes 23, 26, and 31.

under Section 19(b)(3)(A) of the Act³⁷ and paragraph (f)(6) of Rule 19b-4 thereunder.³⁸

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

The proposed rule change is based in part on Nasdaq Rule 4703(d) (Primary and Market Peg order types may include a specified offset amount), NYSE Arca Rule 7.31-E(h)(1) (Market Pegged order type may include a specified offset amount), and Cboe BZX Rule 11.9(c)(8)(A) (Primary Pegged Order may include a specified offset amount), as described in the Purpose section.

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.

³⁷ 15 U.S.C. 78s(b)(3)(A).

³⁸ 17 CFR 240.19b-4.

Exhibit 5 – Text of Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34 -); File No. SR-IEX-2020-16)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Add an Offset Peg Order Type.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder³, 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 Act⁴, and Rule 19b-4 thereunder⁵, IEX is filing with the Commission a proposed rule change to add a new order type (a “Offset Peg” or “O-Peg” order) that pegs to the primary quote⁶, plus or minus an offset amount. The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act⁷ and provided the Commission with

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 The primary quote is the national best bid for a buy order or the national best offer for a sell order. See IEX Rule 1.160(u).

⁷ 15 U.S.C. 78s(b)(3)(A).

the notice required by Rule 19b-4(f)(6) thereunder.⁸

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 statement 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 IEX Rule 11.190 to add a new Offset Peg or O-Peg order type that pegs to the primary quote⁹, plus or minus an offset amount specified by the User¹⁰. In addition, the Exchange proposes two accommodating amendments to IEX Rule 11.190 to describe how O-Peg orders will behave when executed at the Midpoint Price¹¹ and in locked and crossed markets.

Currently, the Exchange offers three types of pegged orders – primary peg,

⁸ 17 CFR 240.19b-4.

⁹ See *supra* note 6.

¹⁰ See IEX Rule 1.160(qq).

¹¹ See IEX Rule 1.160(t),

midpoint peg and Discretionary Peg¹² – each of which are non-displayed orders that upon entry into the System¹³ and while resting on the Order Book¹⁴, are pegged to a reference price based on the national best bid and offer (“NBBO”) and the price of the order is automatically adjusted by the System in response to changes in the NBBO.

The Exchange proposes to add a new type of pegged order – an Offset Peg order – that is a non-displayed pegged order that upon entry and when posting to the Order Book, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of the primary quote (i.e., the NBB¹⁵ for buy orders and NBO¹⁶ for sell orders) plus or minus an offset amount specified by the User or the order’s limit price, if any. While resting on the Order Book, (i) a buy order is automatically adjusted by the System in response to changes in the NBB plus or minus the offset amount up to the order’s limit price, if any; and (ii) a sell order is automatically adjusted by the System in response to changes in the NBO plus or minus the offset amount down to the order’s limit price, if any; and (iii) in locked and crossed markets, slide one MPV¹⁷ less aggressive than the locking price or crossing price (i.e., the lowest Protected Offer¹⁸ for buy orders and the highest Protected Bid¹⁹ for sell orders).²⁰ Further, an Offset Peg order would not be eligible to trade when the market is locked or crossed, either upon order

¹² IEX has two other order types that are based on the discretionary peg order type: the Retail Liquidity Provider order and the Corporate Discretionary Peg order. See IEX Rule 11.190(b)(14) and (16).

¹³ See IEX Rule 1.160(nm).

¹⁴ See IEX Rule 1.160(p).

¹⁵ See IEX Rule 1.160(u).

¹⁶ See IEX Rule 1.160(u).

¹⁷ See IEX Rule 11.210.

¹⁸ See IEX Rule 1.160(bb).

¹⁹ See IEX Rule 1.160(bb).

²⁰ As with all pegged orders, each time the price of an Offset Peg order is adjusted by the System it receives a new timestamp, as described in IEX Rule 11.220.

entry or when resting on the Order Book.

While Offset Peg orders would not be limited to trading more aggressively than the primary quote, based on informal feedback from Members, IEX understands that Offset Peg orders would be useful to market participants seeking to trade between the primary quote and the Midpoint Price.

Accordingly, IEX proposes to amend subparagraph (b)(13) of IEX Rule 11.190, which is currently reserved, to add the Offset Peg order. As proposed, an Offset Peg order:

- (A) Must be a pegged order.
- (B) Must have a TIF of DAY, GTT, GTX, or SYS, as described in IEX Rule 11.190(a)(3).
- (C) Is not eligible for routing pursuant to IEX Rule 11.230(b) and (c)(2).
- (D) May not be an ISO, as defined in paragraph (12) above.
- (E) May be submitted with a limit price or without a limit price (an “unpriced pegged order”).
- (F) Is eligible to trade only during the Regular Market Session. As provided in IEX Rule 11.190(a)(3)(E)(iii), any pegged order marked with a TIF of DAY that is submitted to the System before the opening of the Regular Market Session will be queued by the System until the start of the Regular Market Session; any pegged order that is marked with a TIF other than DAY will be rejected when submitted to the System during the Pre-Market Session. Any pegged order submitted into the System after the closing of the Regular Market Session will be rejected.
- (G) May be a MQTY, as defined in paragraph (11) below.
- (H) Is not eligible to display. Pegged orders are always non-displayed.
- (I) May be an odd lot, round lot, or mixed lot.
- (J) Is eligible to be invited by the System to Recheck as described in IEX Rule 11.230(a)(4)(D).
- (K) Is not eligible to trade when the market is locked or crossed.
- (L) May be submitted with an offset amount that is either aggressive or passive compared to the primary quote. If the offset amount would result in the price of an Offset Peg order being more aggressive than the Midpoint Price, the offset amount will be reduced so that the order is priced at the Midpoint Price until such time as the full value of the offset amount will not result in the price of the Offset Peg order being more

aggressive than the Midpoint Price, except when the order is an active order.²¹ If the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in IEX Rule 11.210, the price of a buy order will be rounded down and the price of a sell order will be rounded up to the nearest permissible increment. If no offset amount is specified, the System will consider the offset amount to be zero.

In addition, the Exchange proposes two accommodating amendments to other IEX rules. First, IEX Rule 11.190(a)(3) would be amended to specify that an Offset Peg may be executed in sub-pennies if necessary when the execution is at or constrained to the midpoint and the order executes at the Midpoint Price. This is consistent with the fact that midpoint peg orders and Discretionary Peg orders can execute at a Midpoint Price in sub-pennies.²² Second, the Exchange proposes amendments to IEX Rule 11.190(h) to describe the manner in which Offset Peg orders will operate in locked and crossed markets. Specifically, when the market becomes locked, Offset Peg orders resting on or posting to the Order Book will be priced at the less aggressive of the locking price plus or minus an offset amount or the order's limit price, if any.²³ However, an Offset Peg with an offset amount that would otherwise result in the order being priced more aggressive than the locking price will be priced at the locking price pursuant to the Midpoint Price Constraint. When the market becomes crossed, the Exchange considers the Midpoint Price to be indeterminable,²⁴ and resting Offset Peg orders that would otherwise be subject to the Midpoint Price Constraint pursuant to IEX Rule 11.190(h)(3)(D) (i.e., because the price of the order would be more aggressive than the Midpoint Price) will be priced to be no more aggressive than the crossing price, the lowest Protected Offer for

²¹ See IEX Rule 1.160(b).

²² An execution at a sub-penny Midpoint Price is not prohibited by Rule 612 under Regulation NMS so long as the execution did not result from an impermissible sub-penny order or quotation. See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37556 (June 29, 2005) (File No. S7-10-04) ("NMS Adopting Release").

²³ See IEX Rule 11.190(h)(3)(C).

²⁴ See IEX Rule 11.190(h)(3)(D).

buy orders and the highest Protected Bid for sell orders. Further, as proposed, Offset Peg orders resting on or posting to the Order Book while the market is crossed are priced at the least aggressive of (1) the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders) plus or minus an offset amount, (2) the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders), or (3) the order's limit price, if any.

The methodology for pricing Offset Peg orders during locked and crossed markets is designed to price such orders at the least aggressive price that is consistent with the terms of the order so as to avoid exacerbating the lock or cross.

In addition, Offset Peg orders will not be eligible to trade when the market is locked or crossed, and an Offset Peg order that would otherwise be eligible to trade against an active order will surrender its precedence on the Order Book for the duration of the System processing the current active order, pursuant to IEX Rule 11.220(a)(5).

The manner in which Offset Peg orders will operate in locked and crossed markets (as proposed) is similar to the manner in which other pegged order types operate, except that other pegged orders are eligible to trade when the market is locked or crossed. Offset Peg orders are designed to enable a market participant to capture part of the spread between the NBBO; when the NBBO is locked or crossed there is uncertainty as to the spread. Consequently, the Exchange believes that Offset Peg orders should not trade in such circumstances.

The Exchange notes that for many years other national securities exchanges have offered order types that peg to the NBB and/or NBO plus or minus an offset amount.²⁵ In

²⁵ See, e.g., Securities Exchange Act Release No. 52449 (September 15, 2005), 70 FR 55647

this regard, the Exchange notes that this proposed rule change is substantially similar to order types offered by the Nasdaq Stock Market LLC (“Nasdaq”), NYSE Arca, Inc. (“Arca”) and CBOE BZX Exchange, Inc. (“BZX”), each of which offer a nondisplayed primary or market pegged order type or attribute that pegs to the inside quotation on the same side of the market (i.e., the NBB for a buy order and the NBO for a sell order) and may also specify an aggressive or passive offset amount.²⁶

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,²⁷ in general, and furthers the objectives of Section 6(b)(5),²⁸ 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 increase competition among execution venues by providing an additional pegged order type that market participants can use to trade at an offset to the primary quote, as described in the Purpose section and thereby enable the Exchange to better compete with order types on other national securities exchanges that offer similar features to market participants.

Further, IEX believes that the proposal is consistent with the protection of

(September 22, 2005) (File No. SR-NASD-2005-107).

²⁶ See Nasdaq Rule 4703(d), NYSE Arca Rule 7.31-E(h)(1), and Cboe BZX Rule 11.9(c)(8)(A).

²⁷ 15 U.S.C. 78f(b).

²⁸ 15 U.S.C. 78f(b)(5).

investors and the public interest in that the Offset Peg order type would provide additional flexibility to market participants in their use of pegging orders. As described in the Purpose section, IEX already offers several different types of pegging orders that trade with reference to the primary quote (Discretionary Peg and primary peg), at the Midpoint Price (Midpoint Peg), and in some cases with the ability to also exercise price discretion in specified circumstances (Discretionary Peg and primary peg). As proposed, the Offset Peg order would function in a similar manner but provide flexibility to market participants to specify an offset to the primary quote. Such functionality could be used for a number of purposes, including to mitigate risk by posting an order at a price that is lower or higher than the prevailing NBB or NBO. Although broker-dealers could implement similar functionality on their own by consuming market data feeds and sending limit orders to the Exchange at prices that are offset from the NBBO, implementing this functionality through an exchange order type ensures that it is widely available to market participants on a fair and non-discriminatory basis. At the same time, the offset instruction would be offered on a purely voluntary basis, and with flexibility for Users to choose the amount of any offset, thereby providing flexibility to continue using current pegged order types without a User specified offset and to choose different offsets based on a User's specific needs. The Exchange does not believe that providing flexibility to Users to select the amount of any offset raises any significant or novel concerns, since similar offset functionality is already available on other national securities exchanges, as discussed in the Purpose section.²⁹

Further, IEX believes that it is consistent with the Act to not permit an Offset Peg

²⁹ See supra note 26

order to trade when the market is locked or crossed. While IEX's current pegged order types are eligible to trade in such circumstances, they are repriced away from the locking and crossing price (except for Midpoint Peg orders in a locked market which continue to be priced at the locking Midpoint Price) which is designed to reduce the incidence of trading when the market is locked or crossed. As noted in the Purpose section, Offset Peg orders are designed to enable a market participant to capture part of the spread between the NBBO; when the NBBO is locked or crossed there is uncertainty as to the spread. Consequently, the Exchange believes that Offset Peg orders should not trade in such circumstances.³⁰ Moreover, similar order types on other national securities exchange are explicitly not eligible to trade in locked and crossed markets.³¹ Additionally, IEX believes that the methodology for pricing Offset Peg orders during locked and crossed markets is consistent with the Act because it is designed to price such orders at the least aggressive price that is consistent with the terms of the order so as to avoid exacerbating the lock or cross.

In addition, the Exchange believes that it is consistent with the Act to round the price of a buy order down and a sell order up to the nearest permissible increment if the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in IEX Rule 11.210. Rounding assures that IEX is compliant with Regulation NMS Rule 612³² and IEX Rule 11.210. Moreover, this approach is consistent

³⁰ In contrast, IEX's other pegged order types are designed to enable a market participant to capture liquidity pursuant to the terms of the order type so the Exchange has chosen not to impose a restriction on trading in locked and crossed markets.

³¹ See, e.g., NYSE Arca Rule 7.31-E(h)(1)(B).

³² See 17 CFR 242.612 and FAQs 8, 1, and 2 in Division of Market Regulation: Responses to Frequently Asked Questions Concerning Rule 612 (Minimum Pricing Increment) of Regulation NMS, available at <https://www.sec.gov/divisions/marketreg/subpenny612faq.htm> which provides that although exchanges (and broker-dealers) may not accept and round orders in

with the way other national securities exchanges handle pegged orders.³³

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 the 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. To the contrary, the proposal is a competitive response to similar order types available on other exchanges.

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. Competing exchanges have and can continue to adopt similar order types, subject to the SEC rule change process, as discussed in the Purpose and Statutory Basis sections.³⁴

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

NMS stocks explicitly priced in sub-penny increments (FAQs 8 and 1), they may accept such orders when the order is not “explicitly” priced in an impermissible sub-penny increment, meaning that a calculation must be performed to obtain the price of the order, in which case the exchange or broker-dealer may round the price of the stock to determine the “actual explicit price for the order.” (FAQ 2). IEX believes that Offset Peg orders would not be explicitly priced in sub-penny increments even if the offset amount specified is in a sub-penny increment because the Exchange would need to perform a calculation to obtain the price of the order by applying the offset amount to the NBB or NBO as applicable. Accordingly, IEX believes that rounding as proposed is consistent with Rule 612 under Regulation NMS and relevant FAQs, which provides that exchanges (and broker-dealers) may not accept and round orders in NMS stocks explicitly priced in sub-penny increments (FAQs 8 and 1), except for when the order is not “explicitly” priced in an impermissible sub-penny increment, in which case the exchange may round the price of the stock to determine the “actual explicit price for the order.” (FAQ 2).

³³ See e.g. Cboe US Equities FIX Specification (Version 2.8.18) describing treatment of Tag 211 regarding “Pegged Difference” available at

https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf.

³⁴ See *supra* notes 26 and 29.

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 use an Offset Peg order type on the same terms.

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)³⁵ of the Act and Rule 19b-4(f)(6)³⁶ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (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-4³⁷ because it is substantially similar to order types previously approved or considered by the Commission and as discussed in the Statutory Basis and Burden on Competition sections.³⁸ 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.

At any time within 60 days of the filing of the proposed rule change, the

³⁵ 15 U.S.C. 78s(b)(3)(A).

³⁶ 17 CFR 240.19b-4(f)(6).

³⁷ 17 CFR 240.19b-4(f)(6).

³⁸ See supra notes 26, 29, and 34.

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)³⁹ 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-2020-16 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-2020-16. 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

³⁹ 15 U.S.C. 78s(b)(2)(B).

(<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. 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-2020-16 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.⁴⁰

⁴⁰ 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

Rule 11.190. Orders and Modifiers

- (a) No change.
- (1) – (2) No change.
- (3) Pegged Order. A non-displayed order that upon entry into the System and while resting on the Order Book, is pegged to a reference price based on the NBBO and the price of the order is automatically adjusted by the System in response to changes in the NBBO. A User can specify to peg the order to one of the following reference prices: one (1) MPV less aggressive than the primary quote (i.e., the NBB for buy orders and NBO for sell orders) while resting, and available for execution against opposing orders to its discretionary price (i.e., from the resting price to the primary quote) ("primary peg"); the midpoint of the NBBO ("midpoint peg"); or the midpoint of the NBBO upon entry, the inside quote on the same side of the market while resting, and available for execution against opposing orders within its discretionary range (i.e. from the resting price to the Midpoint Price or the order's limit, whichever is less aggressive) at a price that uses the minimum amount of discretion necessary to execute the order against an active order ("Discretionary Peg"); the primary quote plus or minus an offset amount ("Offset Peg"). A pegged order may have a limit price beyond which the order shall not be executed. A midpoint pegged order, [or]a Discretionary Peg order or an Offset Peg order may be executed in sub-pennies if necessary to obtain a Midpoint Price. A pegged order:
- (A) May have any TIF described in paragraph (c) of this IEX Rule. Primary peg and Offset Peg orders may not have a TIF of IOC or FOK.
- (B) Is not eligible for routing pursuant to IEX Rule 11.230(b) and (c)(2).
- (C) May not be an ISO, as defined in paragraph (b)(12) below.
- (D) May be submitted with a limit price or without a limit price (an "unpriced pegged order").
- (E) May only trade during the Regular Market Session. Pegged orders submitted in

the Pre-Market Session may queue for the Opening Process as defined below. Pegged orders submitted during the Post-Market Session will be rejected by the System.

- (i) Pegged orders marked IOC are rejected during the Pre-Market Session and Post-Market Session. Pegged orders (except for Primary peg and Offset Peg orders) marked IOC are accepted and eligible to trade during the Regular Market Session. Primary peg and Offset Peg orders marked IOC are always rejected.
 - (ii) Pegged orders marked FOK are rejected during the Pre-Market Session and Post-Market Session (except for Primary peg and Offset Peg orders). Pegged orders marked FOK are accepted and eligible to trade during the Regular Market Session. Primary peg and Offset Peg orders marked FOK are always rejected.
 - (iii) Pegged orders marked DAY submitted before the open of the Regular Market Session are queued by the System until the Regular Market Session Opening Process, pursuant to IEX Rule 11.231. Pegged orders marked DAY submitted during the Regular Market Session are accepted and begin trading immediately. Pegged orders entered into the System marked DAY, if not fully executed or canceled by the User, expire at the end of the Regular Market Session. Pegged orders marked DAY are rejected during the Post-Market Session.
 - (iv) Pegged orders marked GTT are rejected during the Pre-Market Session and Post-Market Session. Pegged orders marked GTT submitted during the Regular Market Session are accepted and begin trading immediately. Pegged orders entered into the System marked GTT, if not fully executed or canceled by the User, expire at the earlier of the expiration time assigned by the User or the end of the Regular Market Session.
 - (v) Pegged orders marked GTX are rejected during the Pre-Market Session and Post-Market Session. Pegged orders marked GTX submitted during the Regular Market Session are accepted and begin trading immediately. Pegged orders entered into the System marked GTX, if not fully executed or canceled by the User, expire at the end of the Regular Market Session.
 - (vi) Pegged orders marked SYS are rejected during the Pre-Market Session and Post-Market Session. Pegged orders marked SYS submitted during the Regular Market Session are accepted and begin trading immediately. Pegged orders entered into the System marked SYS, if not fully executed or canceled by the User, expire at the end of the Regular Market Session.
- (F) May be a MQTY, as defined in paragraph (b)(11) below.

- (G) Is not eligible to display. Pegged orders are always non-displayed.
- (4) All Orders are processed, prioritized, time-stamped, and managed as described in IEX Rule 11.220.

(b) Order Parameters

(1) – (12) No change.

(13) [Reserved.]Offset Peg Order. A pegged order that upon entry and when posting to the Order Book, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of the primary quote (i.e. the NBB for buy orders and NBO for sell orders) plus or minus an offset amount or the order’s limit price, if any. While resting on the Order Book, (i) a buy order is automatically adjusted by the System in response to the changes in the NBB plus or minus the offset amount up to the order’s limit price, if any; and (ii) a sell order is automatically adjusted by the System in response to changes in the NBO plus or minus the offset amount down to the order’s limit price, if any. An Offset Peg order:

(A) Must be a pegged order.

(B) Must have a TIF of DAY, GTT, GTX, or SYS, as described in IEX Rule 11.190(a)(3).

(C) Is not eligible for routing pursuant to IEX Rule 11.230(b) and (c)(2).

(D) May not be an ISO, as defined in paragraph (12) above.

(E) May be submitted with a limit price or without a limit price (an “unpriced pegged order”).

(F) Is eligible to trade only during the Regular Market Session. As provided in IEX Rule 11.190(a)(3)(D), any pegged order, marked with a TIF of DAY that is submitted to the System before the opening of the Regular Market Session will be queued by the System until the start of the Regular Market Session; any pegged order that is marked with a TIF other than DAY will be rejected when submitted to the System during the Pre-Market Session. Any pegged order submitted into the System after the closing of the Regular Market Session will be rejected.

(G) May be a MQTY, as defined in paragraph (11) below.

(H) Is not eligible to display. Pegged orders are always non-displayed.

(I) May be an odd lot, round lot, or mixed lot.

(J) Is eligible to be invited by the System to Recheck as described in IEX Rule 11.230(a)(4)(D).

(K) Will not be eligible to trade when the market is locked or crossed.

(L) May be submitted with an offset amount that is either aggressive or passive compared to the primary quote. If the offset amount would result in the price of an Offset Peg order being more aggressive than the Midpoint Price, the offset amount will be reduced so that the order is priced at the Midpoint Price until such time as the full value of the offset amount will not result in the price of the Offset Peg order being more aggressive than the Midpoint Price, except when the order is an active order. If the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in IEX Rule 11.210, the price of a buy order will be rounded down and the price of a sell order will be rounded up to the nearest permissible increment. If no offset amount is specified, the System will consider the offset amount to be zero.

(h) Price Sliding. The System will process orders pursuant to the “price sliding process,” which includes the following:

(1) – (2) No change.

(3) No change.

(A) – (B) No change.

(C) No change.

(i) No change.

(ii) In the event that the market becomes locked, primary peg orders and Discretionary Peg orders resting on or posting to the Order Book are priced one (1) MPV less aggressive than the locking price. If a Discretionary Peg order is submitted to the Exchange by a User while the market is locked, the order initially checks for available contra-side interest on the Order Book at the Midpoint Price (the locking price) before posting.

(iii) In the event that the market becomes locked, Offset Peg orders are not eligible to trade and an Offset Peg order that would otherwise be eligible to trade against an active order will surrender its precedence on the Order Book for the duration of the System processing the current active order, pursuant to IEX Rule 11.220(a)(5). Offset Peg orders resting on or posting to the Order Book while the market is locked are priced at the less aggressive of the locking price plus or minus an offset amount or the order’s limit price, if any. However, an Offset Peg with an offset amount that would otherwise result in the order being priced more aggressive than

the locking price will be priced at the locking price pursuant to the Midpoint Price Constraint.

(D) No change.

(i) In the event the market becomes crossed, the Exchange shall consider the Midpoint Price indeterminable. Midpoint peg orders, Discretionary Peg orders, Offset Peg orders and non-displayed orders that would otherwise be subject to Midpoint Price Constraint, pursuant to paragraph (2) above, will be priced by the System to be no more aggressive than the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders.

(ii) In the event that the market becomes crossed, primary peg orders and Discretionary Peg orders resting on or posting to the Order Book are priced one (1) MPV away from the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders, before posting. If a Discretionary Peg order is submitted to the Exchange by a User while the market is crossed, the order initially checks for matches on the Order Book at the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders, before posting. If a primary peg order is submitted to the Exchange by a User while the market is crossed, the order posts to the Order Book priced one (1) MPV less aggressive than the crossing price, the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders.

(iii) In the event that the market becomes crossed, Offset Peg orders are not eligible to trade and an Offset Peg order that would otherwise be eligible to trade against an active order will surrender its precedence on the Order Book for the duration of the System processing the current active order, pursuant to IEX Rule 11.220(a)(5). Offset Peg orders resting on or posting to the Order Book while the market is crossed are priced at the least aggressive of (1) the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders) plus or minus an offset amount, (2) the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders), or (3) the order's limit price, if any.

(4) – (5) No change.
