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) * ☐

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	✓ 19b-4(f)(6)

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

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

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

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

A Proposed Rule Change to Provide that a Reserve Order May Have (i) an Odd Lot Sized Display Quantity and (ii) an Optional Random Initial and Replenishment Display Quantity.

Contact Information

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

First Name * Nathaniel   Last Name * Kolodny

Title * Lead Regulation Counsel

E-mail * nathaniel.kolodny@iextrading.com

Telephone * (646) 343-2034   Fax

Signature

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

Date 09/14/2021   (Title *)

By Nathaniel Kolodny   Lead Regulation Counsel
(Name *)

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

Nathaniel Kolodny

Digitally signed by Nathaniel Kolodny
Date: 2021.09.14 16:50:16 -04'00'

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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Reserve odd lots random replenishme

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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Reserve odd lots random replenishme

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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Reserve odd lots random replenishme

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 provide that a reserve order may have (i) an

odd lot sized display quantity and (ii) an optional random initial and replenishment

display quantity. The Exchange has designated this rule change as "non-controversial"

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

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

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

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

5.

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

any direct effect, or any significant indirect effect, on any other Exchange rule in effect at

the time of this filing.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority

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

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

respect to the proposed rule change are complete.

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

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

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

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

        a.   Purpose

The purpose of the proposed rule filing is to amend IEX Rule 11.190(b)(2) to provide that a reserve order[5] may have (i) an odd lot[6] size display quantity and (ii) an optional random initial and replenishment display quantity. Specifically, as proposed, a reserve order may have an odd lot as well as a round or mixed lot initial and replenishment display quantity. In addition, as proposed, a Member[7] may attach an optional random replenishment instruction to any reserve order pursuant to which the reserve order's display quantity (both upon initial posting to the Order Book[8] and upon any subsequent replenishments) would be randomly determined by the System[9] within a replenishment range specified by the Member. In addition, IEX proposes to make conforming edits to IEX Rules 11.190(b)(2) and 11.220(a)(1)(C) reflecting the proposed changes to reserve order functionality.

The proposed changes are designed to increase displayed liquidity on the

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[5] See IEX Rule 11.190(b)(2).
[6] An odd lot order is generally any order of less than 100 shares (the size of a round lot order). See IEX Rule 11.180(a).
[7] See IEX Rule 1.160(s).
[8] See IEX Rule 1.160(p).
[9] See IEX Rule 1.160(nn).

Exchange (potentially at prices better than the NBBO[10]), to the benefit of all market

participants, by providing additional optionality to Members in the use of odd lot size

reserve order displayed quantities, as well as helping to protect Members using reserve

orders with random replenishment from potential information leakage.

Background

IEX, like other equities exchanges,[11] offers Members a "reserve" order type,

which allows Members to submit a partially displayed limit order,[12] so that a portion of

the order is displayed ("display quantity") and a portion of the order is non-displayed

("reserve quantity").[13] As set forth in IEX Rule 11.190(b)(2), when Users[14] submit a

reserve order, they must specify the display quantity (which must be a round or mixed

lot). Upon entry, the System attempts to execute a reserve order as a single order of its

full, unexecuted size. If an incoming reserve order is not fully executed, it posts to the

Order Book where it is effectively treated as two discrete orders: the User instructed

display quantity posts to the Order Book as a displayed order ("displayed portion") and

the reserve quantity posts to the Order Book as a non-displayed order ("non-displayed

portion"). For the purposes of pricing reserve orders on the Order Book, displayed

portions are treated as displayed orders and non-displayed portions are treated as non-

displayed orders. As described in IEX Rule 11.190(h), it is possible for the non-

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[10] See IEX Rule 1.160(u).
[11] See, e.g., Cboe BZX Exchange, Inc. ("BZX") Rule 11.9(c)(1); MEMX, LLC ("MEMX") Rule 11.8(b)(4); The Nasdaq Stock Market LLC ("Nasdaq") Rule 4703(h); and New York Stock Exchange LLC Rule 7.31(d)(1).
[12] See IEX Rule 11.190(a)(1).
[13] See IEX Rule 11.190(b)(2).
[14] See IEX Rule 1.160(qq). The text of IEX Rule 11.190(b)(2) uses the term "User", so any direct references to the text of the rule will use the term "User." Otherwise, for purposes of this rule filing, the term "Member" will be used synonymously with the term "User."

displayed portion to rest at a different price than the displayed portion, because the

displayed portion is subject to display-price sliding[15] while the non-displayed portion is

subject to the Midpoint Price Constraint.[16] If the displayed portion of the reserve order is

decremented such that less than one round lot would be displayed, the displayed portion

of the reserve order shall be refreshed for either (i) the original displayed quantity, or (ii)

the entire reserve quantity, if the total number of unexecuted shares in the order is smaller

than the original Member instructed displayed quantity. Each time the displayed portion

of the order is refreshed from the reserve quantity, that portion is prioritized behind other

existing displayed orders; the priority of the non-displayed portion, however, is

unchanged by the refresh process.

IEX recently implemented a rule change that provides for the option to display

odd lot size orders, including allowing them to aggregate to form a protected quotation.[17]

In connection with the implementation of displayed odd lot size orders, IEX modified its

reserve order functionality to provide that if the display quantity of a reserve order

decrements to less than a round lot (and there are not enough shares remaining in the

reserve quantity to refresh the display quantity to more than a round lot), the display

quantity retains its displayed status and its execution priority.[18]

<p style="text-align:center"><u>Proposal</u></p>

IEX proposes to amend IEX Rule 11.190(b)(2) to: (i) allow reserve orders to be

submitted with an odd lot sized display portion; and (ii) allow Members to elect that the

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[15] <u>See</u> IEX Rule 11.190(h)(1).
[16] <u>See</u> IEX Rule 11.190(h)(2).
[17] <u>See</u> Securities Exchange Act Release No. 90933 (January 15, 2021), 86 FR 6687 (January 22, 2021) (SR-IEX-2021-01).
[18] <u>See</u> <u>supra</u> note 17.

initial and replenishment display quantity for the reserve order will be randomly

determined by the System within a range specified by the Member. As described below,

IEX believes this proposal, which combines order types and functionality previously

considered by the Commission, will encourage the posting of more displayed liquidity on

the Exchange in a manner that benefits all market participants.

    1. Odd Lot Display Quantity Reserve Orders

IEX proposes to modify its reserve order type to allow Members to submit a

reserve order with an odd lot size display quantity, in addition to the current functionality

which allows Members to submit a reserve order with either a round or mixed lot size

display quantity.

As proposed, odd lot size display quantity reserve orders ("Displayed Odd Lot

Reserve orders") would function much like a round or mixed lot size display quantity

reserve order, except that the display quantity would only replenish from the reserve

quantity when the displayed portion of the order is decremented to zero shares, as

opposed to round and mixed lot size display quantity reserve orders, which would

continue to replenish the display quantity whenever they decrement to less than a round

lot. IEX believes that replenishing a Displayed Odd Lot Reserve order only when the

display quantity has been fully exhausted is the most reasonable and workable approach.

As a threshold matter, the display quantity of a Displayed Odd Lot Reserve order by

definition will always be less than a round lot and will vary based on the Member

instructed displayed quantity and can be as low as one share. Therefore, the trigger for

replenishment cannot be a quantity that is the same for all orders unless it is when the

displayed quantity decrements to zero.

IEX notes that it also considered having Displayed Odd Lot Reserve orders replenish anytime one or more share of the displayed portion was executed, but decided against it for the following reasons. First, as a practical matter, Displayed Odd Lot Reserve orders will be far less useful to Members if any partial executions of the display portion trigger a replenishment, resulting in the display portion receiving a new time stamp and being prioritized behind all other existing displayed orders at that price. Second, as discussed below, a Displayed Odd Lot Reserve order would be eligible for optional random replenishment, which means the next time the display quantity of the order replenishes, it could be randomly set at a value lower than the prior display quantity, and IEX seeks to avoid this confusing and illogical outcome. Third, IEX believes that having a Displayed Odd Lot Reserve Order replenish any time there is a partial execution of the displayed portion of the order could increase the likelihood of adverse selection through information leakage of the presence of a larger non-displayed reserve portion of the order. IEX notes that the Commission made the same determination when it approved a 2018 rule filing by the New York Stock Exchange LLC ("NYSE") that changed NYSE's reserve order replenishment trigger from replenishing after any execution of a portion of the displayed quantity to only replenishing when the display quantity decrements to less than a round lot.[19] Based on informal discussions with Members, IEX believes that the proposed approach would lead to increased use of Displayed Odd Lot Reserve orders compared to other approaches, as discussed above.

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[19] See Securities Exchange Act Release No. 83768 (August 3, 2018), 83 FR 39488 (August 9, 2018). The fact that, until 2018, NYSE triggered replenishment with any partial execution of the display portion of a reserve order shows that only replenishing a reserve order when it decrements to less than a round lot is not the only Commission-approved replenishment trigger.

IEX also notes that this proposed approach to Displayed Odd Lot Reserve order replenishment mirrors the functionality of options exchanges with reserve order types that display in odd lot quantities that replenish their display quantity only when it is fully exhausted.[20]

IEX believes that providing for Displayed Odd Lot Reserve orders will incentivize the posting of more displayed liquidity on IEX, and the corresponding opportunity for market participants to interact with displayed liquidity. In this regard, IEX believes that the increasing prevalence of high-priced securities (including many securities that trade for more than $1,000 per share)[21] makes quoting in round lot multiples inaccessible to some market participants. As the Commission recently noted, "a significant proportion of quotation and trading activity occurs in odd-lots, particularly for frequently traded, high priced stocks."[22] The Commission also noted that "frequently traded, high priced securities were more likely to have executions occur in odd-lot sizes (about 34% of the share volume of the 50 securities with the highest share prices) than lower priced securities (about 3.4% of the 50 securities with the lowest share prices)."[23]

Furthermore, the Commission has noted that almost half of all on-exchange trades are odd lot sized, and about 40% of those odd lot trades occur at prices better than the NBBO.[24] Thus, allowing reserve orders to display odd lot quantities would both encourage the posting of more displayed liquidity on the Exchange, and offer more price

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[20] See BZX Rule 21.1(d)(1); Cboe EDGX Exchange, Inc. ("EDGX") Rule 21.1(d)(1).

[21] As of July 2021, there are 21 securities trading for $1,000 per share or more, and an additional 38 securities trading between $500 and $999.99 per share.

[22] See Securities Exchange Act Release No. 90610 (December 9, 2020), 86 FR 18596, 18616 n. 240 (April 9, 2021) ("Market Data Infrastructure Final Rule").

[23] See supra note 22.

[24] See supra note 22.

improvement for high priced stocks that often trade in odd lot quantities at better prices than the NBBO.[25]

Additionally, based on informal discussions with IEX Members, the Exchange believes that use of reserve orders would increase in high priced securities if the displayed portion of the reserve order could be entered in an odd lot quantity.

IEX notes that its proposal for Displayed Odd Lot Reserve orders is not novel, in that all four of the Cboe equities exchanges allow a reserve order to be submitted with a user instructed display quantity of less than one round lot.[26] Additionally, BZX's and EDGX's options exchanges offer displayed odd lot reserve orders that replenish in the same manner as the current proposal – when the displayed portion of the odd lot reserve order is fully executed, the order is replenished from the reserve quantity.[27]

2. Random Replenishment

IEX proposes to offer Members the option to elect that the initial and each replenishment display quantity for the reserve order will be randomly determined by the System within a range specified by the Member. IEX proposes to add the defined term of "Max Floor" to IEX Rule 11.190(b)(2), to specify the base display quantity for all reserve orders. As proposed, a Member can submit a reserve order with a Max Floor in an odd

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[25] Displayed odd lot orders do not update the NBBO unless aggregated to form a round lot size quotation, and thus can be priced better than the NBBO.

[26] See BZX Rule 11.9(c)(1); Cboe BYX Exchange, Inc. ("BYX") Rule 11.9(c)(1); Cboe EDGA Exchange, Inc. ("EDGA") Rule 11.6(m); EDGX Rule 11.6(m); see also Cboe US Equities FIX Specification (Version 2.9.2) avail. at http://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf (setting no minimum value for the user instructed display quantity for reserve orders). IEX notes that the Cboe equity exchange rules clearly allow for the entry of an odd lot size display quantity, but are unclear as to how much the display quantity must decrement before it replenishes to its initial display quantity.

[27] See supra note 20.

lot quantity, as well as in a quantity equal to or greater than a round lot as provided for

under current rules. Further, IEX proposes that if the reserve order's Max Floor is either

an odd lot or a round lot multiple, the Member may include an instruction that the reserve

order's display quantity be randomly replenished (as discussed below, random

replenishment would not be available to reserve orders with a Max Floor of either a

single round lot or a mixed lot).

As proposed, Members may attach an optional random replenishment instruction

(the "Display Range") to any reserve order with a Max Floor of either an odd lot or a

round lot multiple. If the Member includes a Display Range with a reserve order, the

reserve order's display quantities (both upon initial posting and upon any subsequent

replenishments) would be randomly determined by the System within a replenishment

range specified by the Member. Specifically, the Member would specify a Display

Range and a Max Floor. The System would then randomly select the number of shares it

will use to replenish the display quantity in the following ways (depending upon the Max

Floor of the Order):

- If the reserve order's Max Floor equals a round lot multiple, the Member
  would select a Display Range in a round lot or multiple thereof that is less
  than the Max Floor. The System would then use the Max Floor and Display
  Range to determine the initial and replenishment displayed quantity each time
  the order is subject to replenishment by randomly selecting a round lot
  number of shares that is between the Max Floor minus the Display Range and
  the Max Floor plus the Display Range.

- If the reserve order's Max Floor is less than one round lot, the Member would
  select a Display Range of one or more shares that is less than the Max Floor.
  The System would then use the Max Floor and Display Range to determine
  the initial and replenishment displayed quantity each time the order is subject
  to replenishment by randomly selecting a number of shares that is between the
  Max Floor minus the Display Range and the Max Floor plus the Display
  Range (provided that if the Max Floor plus the Display Range equals a round
  lot or greater, the high end of the Display Range will be one share less than a

round lot). [28]

As proposed, Members could still elect to have their reserve orders employ the current, fixed replenishment, functionality. In order to use fixed replenishment, a Member would submit a reserve order with a Max Floor, but without a Display Range. With fixed replenishment, the display quantity will be equal to the Max Floor both when the order first posts to the Order Book and any time the display quantity is replenished from the reserve (i.e., when the display quantity is decremented to zero shares if the Max Floor is less than one round lot, or any time the display quantity decrements to less than one round lot if the Max Floor is greater than or equal to a round lot).

Random replenishment for reserve orders is an optional additional tool to assist Members in achieving the general goal of reserve orders, which is to display less than the full size of the order to avoid leaking information regarding the presence of a large resting reserve order.[29] Because random replenishment results in the display quantity of a Reserve order varying with each replenishment, this functionality will further reduce the ability of other market participants to detect that such order is in fact a reserve order with a potentially large non-displayed reserve portion.

IEX is not proposing to offer random replenishment for reserve orders with a Max Floor of a single round lot because the random replenishment functionality would not work with a Max Floor of one round lot. Specifically, as noted above, when a Member

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[28] Because random replenishment would not be available for mixed lot display quantity reserve orders, the maximum value for the random replenishment range of a Displayed Odd Lot Reserve order must be one share less than a round lot. Therefore, if a Member submitted a Displayed Odd Lot Reserve order with a Max Floor of 95 and a Display Range of 10, the System would randomly select a replenishment value between 85 and 99.

[29] Identification of a large resting non-displayed order on an exchange can provide information regarding buy or sell interest resulting in market moving trading adverse to the resting order.

selects random replenishment for a reserve order, the Member must submit the order with a Display Range that is less than the Max Floor. Thus, if a reserve order's Max Floor is one round lot, the Display Range must be zero, so the reserve order will always replenish using only the Max Floor, rendering random replenishment inoperable. Therefore, reserve orders with a Max Floor equal to one round lot will only be able to use the current fixed replenishment functionality.

Additionally, IEX is not proposing to offer random replenishment for reserve orders with a Max Floor that is a mixed lot because implementation would involve technical complexity. From informal discussions with Members, IEX determined there was little interest in having the option of random replenishment for a displayed mixed lot reserve order. Thus, IEX believes that offering only fixed replenishment for displayed mixed lot reserve orders strikes the right balance of offering enhanced reserve order functionality to Members without introducing unnecessary technical complexity to its reserve order functionality.

IEX notes that the proposed random replenishment functionality for reserve orders with a Max Floor that is a round lot multiple is substantially similar to that of several other equity exchanges that offer random replenishment for reserve orders.[30] And as described above, the proposed new random replenishment functionality for reserve orders with a Max Floor that is less than a round lot is substantially similar to the functionality used by options exchanges that offer displayed odd lot reserve orders with

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[30] See BZX Rule 11.9(c)(1); EDGX Rule 11.6(m); MIAX PEARL LLC Rule 2614(c)(8)(A); MEMX Rule 11.6(k)(1)(A); Nasdaq Rule 4703(h).

random replenishment.[31]

The following examples demonstrate the proposed odd lot fixed and random replenishment functionality:

Example 1: Displayed odd lot reserve order with fixed replenishment

- Member submits a reserve order to buy 200 shares of XYZ with a Max Floor of 20 and no Display Range.

- The order does not execute upon entry and posts to the Order Book with a display quantity of 20 shares and a reserve quantity of 180 shares.

- An inbound order to sell 10 shares of XYZ is entered into the System and executes against 10 shares of the displayed quantity. The reserve order has a displayed portion of 10 shares and a reserve quantity of 180 shares. Because the displayed portion did not decrement to zero shares, it does not get replenished.

- A second inbound market order to sell 10 shares of XYX is entered into the System and executes against the remaining displayed quantity, decrementing it zero shares.

- The System replenishes the display quantity to 20 shares (the Max Floor), leaving a reserve quantity of 160 shares.

Example 2: Displayed round lot multiple reserve order with random replenishment

- Member submits a reserve order to buy 2000 shares of XYZ with a Max Floor of 400 and a Display Range of 200.

- The order does not execute on entry, and the System uses the Max Floor and the Display Range to generate a replenishment range of either 200, 300, 400, 500, or 600 shares from which the System will randomly select the initial replenishment quantity. The System randomly selects 300 as the initial replenishment quantity, meaning the reserve order's initial display quantity will be 300 shares, with a reserve quantity of 1,700 shares.

- An incoming order to sell 250 shares matches with the resting reserve

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[31] See supra note 20; see also Cboe US Options FIX Specification (Version 2.7.37) avail. at https://cdn.cboe.com/resources/membership/US_Options_FIX_Specification.pdf (random replenishment of an option reserve order requires a Display Range of one or more shares, which is the same functionality IEX is proposing for random replenishment of a Displayed Odd Lot Reserve order).

order's display quantity, leaving 50 shares in the display quantity (and 1,700 in the reserve quantity).

- Because the Max Floor is at least one round lot, the reserve order replenishes when the display quantity decrements to less than one round lot, so the System again randomly selects a replenishment quantity from the replenishment range of either 200, 300, 400, 500, or 600 shares. The System randomly selects 600 as the next replenishment quantity, meaning the display quantity will be replenished to 600 shares, with 550 shares decremented from the reserve quantity, which will now be 1,150 shares.

Example 3: Displayed odd lot reserve order with random replenishment

- Member submits a reserve order to buy 200 shares with a Max Floor of 50 and a Display Range of 3.

- The order does not execute on entry, and the System generates a replenishment range of either 47, 48, 49, 50, 51, 52, or 53 from which the System will randomly select the replenishment quantity. The System randomly selects 48 as the initial replenishment quantity, meaning the displayed quantity will be 48 shares, with the remaining 152 shares in the reserve quantity.

- An incoming order to sell 48 shares matches with the resting reserve order's displayed portion, leaving 0 shares in the display quantity (and 152 shares in the reserve quantity).

- Because the Max Floor is an odd lot, and the display quantity decremented to zero shares, the reserve order replenishes the display quantity, so the System again randomly selects a replenishment quantity from the replenishment range of either 47, 48, 49, 50, 51, 52, or 53 shares. The System randomly selects 53 as the next replenishment quantity, meaning the display quantity will be replenished to 53 shares, with 53 shares decremented from the reserve quantity, which will now be 99 shares.

IEX is also proposing to make the following conforming changes to IEX Rule 11.190(b)(2). First, IEX proposes to delete current subparagraph (H), which describes how a displayed portion of a reserve order retains its displayed status and priority if it decrements to an odd lot, because it is rendered redundant by the introduction of displayed quantity odd lot reserve orders. Second, IEX proposes to renumber current subparagraphs (A) to (G) of the rule as subparagraphs (B) to (H) to incorporate the

addition of new introductory subparagraph (A).[32] Third, IEX proposes to modify

Supplementary Material .01 ("Reserve Orders") to clarify that displayed portions would

be replenished based on the replenishment options in new IEX Rule 11.190(b)(2)(A).

Finally, IEX proposes to modify IEX Rule 11.220(a)(C)(v) to change the term

"refreshed" to "replenished" and to clarify that not all reserve orders replenish when the

display portion decrements to less than one round lot, but rather pursuant to the

conditions set forth in the proposed changes to IEX Rule 11.190(b)(2).

The following is a list of the specific proposed changes to IEX Rule 11.190(b)(2):

- Modify any references in the rule to a "refresh" of the display quantity to the more technically accurate term "replenish," which reflects the manner in which the System replenishes the displayed portion of a reserve order with shares taken from the non-displayed portion.

- Modify the second sentence of IEX Rule 11.190(b)(2) to add language stating that the display quantity "may be a fixed or random number of shares; and an odd, mixed, or round lot quantity," and delete the language stating that User provided display quantity "must be equal to or greater than a round lot; the System will reject a reserve order with a User instructed display quantity less than a round lot."

- Modify the fourth sentence of IEX Rule 11.190(b)(2) to add language specifying that the User instructed display quantity may be determined by "fixed or random replenishment."

- Add a new seventh sentence of IEX Rule 11.190(b)(2) stating that to enter a reserve order, a User must specify a base display quantity ("Max Floor") and may enter a replenishment value as described in subparagraph (A) of IEX Rule 11.190(b).

- Modify the eighth sentence of IEX Rule 11.190(b)(2) (formerly the seventh sentence) to add language clarifying that a reserve order with a Max Floor of a round lot or greater will continue to replenish its displayed portion when the displayed portion decrements to less than one round lot. Also modify the language about how a reserve order with a Max Floor replenishes by removing the language about how it always replenishes to

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[32] Because IEX is proposing to delete subparagraph (H) of the rule, while adding a new subparagraph (A), subparagraph (I) will not need to be renumbered.

the original displayed quantity and adding language stating that the reserve order will replenish its displayed portion pursuant to one of the replenishment processes set forth in the newly added subparagraph (A) of the rule.

- Add a new ninth sentence of IEX Rule 11.190(b)(2) stating that a reserve order with a Max Floor of less than one round lot (an odd lot), will replenish its displayed portion when the displayed portion is decremented to zero shares, and add language stating that the reserve order will replenish its displayed portion pursuant to one of the replenishment processes set forth in the newly added subparagraph (A) of the rule.

- Add to the end of the eleventh sentence of IEX Rule 11.190(b)(2) (formerly the ninth sentence) the language that a reserve order "has the following attributes:" set forth in the subsequent subparagraphs.

- Add new subsection (A) to IEX Rule 11.190(b)(2) ("Replenishment Options") that reads: "The following replenishment options determine the size of the displayed quantity for any reserve order that does not fully execute on entry.

- Add new subsection (A)(i) to IEX Rule 11.190(b)(2) ("Random Replenishment") that sets forth new the random replenishment functionality, as detailed in this filing.

- Add new subsection (A)(i)(a) to IEX Rule 11.190(b)(2) ("Random Replenishment") that sets forth new the random replenishment functionality for reserve orders with a Max Floor equal to a round lot multiple, which is detailed in this filing.

- Add new subsection (A)(i)(b) to IEX Rule 11.190(b)(2) ("Random Replenishment") that sets forth new the random replenishment functionality for reserve orders with a Max Floor equal to less than one round lot, which is detailed in this filing.

- Add new subsection (A)(ii) to IEX Rule 11.190(b)(2) ("Fixed Replenishment") that sets forth retention of the current replenishment functionality for all orders for which random replenishment has not been selected, as detailed in this filing.

- Renumber current subparagraphs (A) to (G) of current IEX Rule 11.190(b)(2) to subparagraphs (B) to (H).

- Remove current subparagraph (H) of current IEX Rule 11.190(b)(2).

- Modify Supplementary Material .01 ("Reserve Orders") as follows: (i) in the first sentence, add "on entry" after the words "if a reserve order is not

fully executed" for clarity; (ii) in the same sentence, remove the words "for the User instructed" that describe the display quantity and replace them with the words "based on the replenishment options sets forth in paragraph (b)(2)(A) of this IEX Rule;" (iii) in the same sentence, add the word "quantity" after the words "non-displayed" for clarity and consistency (matching the earlier phrase "displayed quantity").

- Modify IEX Rule 11.220(a)(C)(v) to change the term "refreshed" to "replenished" and to remove the words "after receiving an execution that decrements the displayed portion of a reserve order below one round lot pursuant to" and replace them with the words "as set forth in [IEX Rule 11.190(b)(2)]" to reflect that not all reserve orders replenish when the display portion decrements to less than one round lot, but rather pursuant to the conditions set forth in the proposed changes to IEX Rule 11.190(b)(2).

<div align="center">Implementation</div>

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.

b.   Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[33] in general, and furthers the objectives of Section 6(b)(5),[34] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it is designed to provide more flexibility and opportunities for

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[33] 15 U.S.C. 78f(b).
[34] 15 U.S.C. 78f(b)(5).

Members to add displayed liquidity to the Exchange. As noted in the Purpose section, the

proposed rule change is responsive to informal feedback from Members indicating that

they prefer the optionality to use Displayed Odd Lot Reserve orders to post displayed

liquidity, particularly for high-priced securities. Thus, IEX believes that the proposed

rule change will attract additional displayed liquidity to the Exchange and, to the extent it

is successful in doing so, will benefit all market participants, thereby supporting the

purposes of the Act to remove impediments to and perfect the mechanism of a free and

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

public interest. The Exchange also believes that, as discussed in the Purpose section,

enabling the use of Displayed Odd Lot Reserve orders will enhance opportunities for

price discovery and increase the overall displayed liquidity profile on the Exchange to the

benefit of all market participants.

Additionally, IEX believes that having a Displayed Odd Lot Reserve order

replenish its displayed portion when it decrements to zero shares is consistent with the

Act, because, as discussed in the Purpose section, it is the most workable reasonable

approach to protecting investors from information leakage and potential adverse selection

in a manner responsive to Members' feedback. Accordingly, IEX believes that this

approach could incentivize the use of more reserve orders thereby increasing the

availability of displayed liquidity over fully non-displayed orders. For all these reasons,

IEX believes that replenishing Displayed Odd Lot Reserve orders when the displayed

portion decrements to zero supports investor protection and the public interest.

Further, IEX believes that the addition of the random replenishment option for

reserve orders is consistent with the Act as it is designed to help to achieve the general

goal of reserve orders, which is to display less than the full size of the order to avoid leaking information about the presence of a large resting reserve order which can result in market movement adverse to the reserve order. Because random replenishment results in the display quantity of a reserve order varying with each replenishment, this functionality will further reduce the ability of other market participants to detect that such order is in fact a reserve order.

Furthermore, IEX believes it is consistent with the Act to offer only fixed replenishment for reserve orders with a Max Floor of a single round lot or a mixed lot for the reasons discussed in the Purpose section. IEX believes that the proposed approach provides a reasonable approach with appropriate optionality.

IEX also notes that, as discussed in the Purpose section, the proposed random replenishment functionality is consistent with the rules of several other equities[35] and options[36] exchanges and thus the Exchange does not believe that this aspect of the proposed rule change raises any new or novel issues not already considered by the Commission.

Finally, the Exchange believes that the proposed non-substantive conforming changes to IEX Rule 11.190(b)(2) (including the supplementary material) and IEX Rule 11.220(a)(1)(C) are consistent with the protection of investors and the public interest because they will have no impact on the functionality of reserve orders, but rather simply provide consistency and clarity to how reserve orders function, thereby reducing the potential for confusion of any market participants.

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[35] See supra note 30.
[36] See supra note 20.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is designed to enhance IEX's competitiveness with other markets by enabling IEX to offer reserve order functionality substantially similar to that offered by several other equity exchanges. As discussed in the Purpose section, the proposal is designed to incentivize the entry of additional liquidity providing orders on IEX by offering Members the flexibility of using an odd lot display quantity as well as random replenishment of the displayed quantity of a reserve order as described in the Purpose and Statutory Basis sections. Thus, IEX believes that the proposed rule change will enhance its ability to compete with other exchanges that already offer this functionality and thereby attract more reserve orders to the Exchange, to the benefit of all market participants. Moreover, other exchanges may adopt similar functionality subject to the Commission rule filing process.

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 a Displayed Odd Lot Reserve order, and all Members would be eligible to use random or fixed replenishment for their reserve orders in the same manner. Moreover, the proposal would provide potential benefits to all Members to the extent that there is more liquidity available on

IEX as a result of increased use of reserve orders.

Further, the proposed conforming edits to IEX Rule 11.190(b)(2) (including the supplementary material) and Rule 11.220(a)(1)(C) are not designed to address any competitive issue, but rather to provide additional clarity in IEX's rulebook.

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

Written comments were neither solicited nor received.

6.   Extension of Time Period for Commission Action

Not applicable.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[37] and paragraph (f)(6) of Rule 19b-4 thereunder.[38] 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.[39]

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

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[37] 15 U.S.C. 78s(b)(3)(A).
[38] 17 CFR 240.19b-4.
[39] 17 CFR 240.19b-4(f)(6)(iii).

subparagraph (f)(6) of Rule 19b-4[40] because it would not significantly affect the

protection of investors or the public interest and would not impose any significant burden

on competition. Rather, the proposed rule change neither significantly affects the

protection of investors or the public interest, nor does it impose any burden on

competition because it would merely combine the attributes of existing IEX order types –

displayed odd lot orders and reserve orders – to expand the functionality available to

Members, as discussed in the Purpose section, and introduces random replenishment of

reserve orders, which has long been in effect at other equity exchanges. Additionally,

IEX believes that the proposal to have Displayed Odd Lot Reserve orders refresh the

displayed portion when it decrements to zero shares will serve to protect investors who

want to use Displayed Odd Lot Reserve orders to display liquidity with lower risks of

information leakage and potential latency arbitrage, thereby incentivizing the posting of

more displayed liquidity on the Exchange to the benefit of all market participants.

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

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

existing order types offered by IEX or other exchanges. Accordingly, IEX has

designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[41] and

paragraph (f)(6) of Rule 19b-4 thereunder.[42]

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

Commission summarily may temporarily suspend such rule change if it appears to the

Commission that such action is necessary or appropriate in the public interest, for the

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[40] 17 CFR 240.19b-4(f)(6).
[41] 15 U.S.C. 78s(b)(3)(A).
[42] 17 CFR 240.19b-4(f)(6).

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 introduction of displayed odd lot size reserve orders is based on

BZX and BYX Rules 11.9(c)(1) and EDGA and EDGX Rules 11.6(m), all of which

allow a reserve order to be entered with a Max Floor of less than a round lot, although

none of these rules specify the trigger for replenishing a Displayed Odd Lot Reserve

order. IEX's proposed rule change differs from the Cboe equities exchanges' reserve

order rules in that IEX is proposing to have a Displayed Odd Lot Reserve order replenish

only when the display quantity has been fully exhausted. As discussed in the Purpose

section, IEX believes this approach to Displayed Odd Lot Reserve order replenishment is

the most reasonable and workable approach to replenishment, and notes that it mirrors the

functionality in BZX and EDGX options reserve order Rules 21.1(d)(1).

And the proposed introduction of random replenishment for reserve orders with

respect to reserve orders with a round lot sized (either one round lot or a multiple) display

quantity mirrors the random replenishment functionality for reserve orders in BZX Rule

11.9(c)(1), EDGX Rule 11.6(m), MIAX PEARL LLC Rule 2614(c)(8)(A), MEMX Rule

11.6(k)(1)(A), and Nasdaq Rule 4703(h). IEX's proposal for random replenishment of

Displayed Odd Lot Reserve orders is based upon the random replenishment functionality

used by the other equities exchanges that use random replenishment, with the

modification that the Display Range must be a number of individual shares instead of a

round lot multiple. As discussed in the Purpose section, IEX believes this approach to

random replenishment of Displayed Odd Lot Reserve orders is the most reasonable

approach to providing random replenishment as an optional functionality for Displayed

Odd Lot Reserve orders, and also notes that it mirrors the random replenishment

functionality in BZX and EDGX options reserve order Rules 21.1(d)(1).

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34 -   ); File No. SR-IEX-2021-11)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate
Effectiveness of Proposed Rule Change to Provide that a Reserve Order May Have (i) an
Odd Lot Sized Display Quantity and (ii) an Optional Random Initial and Replenishment
Display Quantity.

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2]

and Rule 19b-4 thereunder,[3] notice is hereby given that, on (date), the Investors

Exchange LLC ("IEX" or the "Exchange") filed with the Securities and Exchange

Commission (the "Commission") the proposed rule change as described in Items I, II and

III below, which Items have been prepared by the self-regulatory organization. The

Commission is publishing this notice to solicit comments on the proposed rule change

from interested persons.

I.   Self-Regulatory Organization's Statement of the Terms of Substance of the
       Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) under the Act,[4] and Rule 19b-4

thereunder,[5] IEX is filing with the Commission a proposed rule change to provide that a

reserve order may have (i) an odd lot sized display quantity and (ii) an optional random

initial and replenishment display quantity. The Exchange has designated this rule change

as "non-controversial" under Section 19(b)(3)(A) of the Act[6] and provided the

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

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

The text of the proposed rule change is available at the Exchange's website at www.iextrading.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these 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 purpose of the proposed rule filing is to amend IEX Rule 11.190(b)(2) to provide that a reserve order[8] may have (i) an odd lot[9] size display quantity and (ii) an optional random initial and replenishment display quantity. Specifically, as proposed, a reserve order may have an odd lot as well as a round or mixed lot initial and replenishment display quantity. In addition, as proposed, a Member[10] may attach an optional random replenishment instruction to any reserve order pursuant to which the

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[7] 17 CFR 240.19b-4.
[8] See IEX Rule 11.190(b)(2).
[9] An odd lot order is generally any order of less than 100 shares (the size of a round lot order). See IEX Rule 11.180(a).
[10] See IEX Rule 1.160(s).

reserve order's display quantity (both upon initial posting to the Order Book[11] and upon

any subsequent replenishments) would be randomly determined by the System[12] within a

replenishment range specified by the Member. In addition, IEX proposes to make

conforming edits to IEX Rules 11.190(b)(2) and 11.220(a)(1)(C) reflecting the proposed

changes to reserve order functionality.

The proposed changes are designed to increase displayed liquidity on the

Exchange (potentially at prices better than the NBBO[13]), to the benefit of all market

participants, by providing additional optionality to Members in the use of odd lot size

reserve order displayed quantities, as well as helping to protect Members using reserve

orders with random replenishment from potential information leakage.

<div align="center">Background</div>

IEX, like other equities exchanges,[14] offers Members a "reserve" order type,

which allows Members to submit a partially displayed limit order,[15] so that a portion of

the order is displayed ("display quantity") and a portion of the order is non-displayed

("reserve quantity").[16] As set forth in IEX Rule 11.190(b)(2), when Users[17] submit a

reserve order, they must specify the display quantity (which must be a round or mixed

lot). Upon entry, the System attempts to execute a reserve order as a single order of its

full, unexecuted size. If an incoming reserve order is not fully executed, it posts to the

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[11] See IEX Rule 1.160(p).
[12] See IEX Rule 1.160(nn).
[13] See IEX Rule 1.160(u).
[14] See, e.g., Cboe BZX Exchange, Inc. ("BZX") Rule 11.9(c)(1); MEMX, LLC ("MEMX") Rule 11.8(b)(4); The Nasdaq Stock Market LLC ("Nasdaq") Rule 4703(h); and New York Stock Exchange LLC Rule 7.31(d)(1).
[15] See IEX Rule 11.190(a)(1).
[16] See IEX Rule 11.190(b)(2).
[17] See IEX Rule 1.160(qq). The text of IEX Rule 11.190(b)(2) uses the term "User", so any direct references to the text of the rule will use the term "User." Otherwise, for purposes of this rule filing, the term "Member" will be used synonymously with the term "User."

Order Book where it is effectively treated as two discrete orders: the User instructed

display quantity posts to the Order Book as a displayed order ("displayed portion") and

the reserve quantity posts to the Order Book as a non-displayed order ("non-displayed

portion"). For the purposes of pricing reserve orders on the Order Book, displayed

portions are treated as displayed orders and non-displayed portions are treated as non-

displayed orders. As described in IEX Rule 11.190(h), it is possible for the non-

displayed portion to rest at a different price than the displayed portion, because the

displayed portion is subject to display-price sliding[18] while the non-displayed portion is

subject to the Midpoint Price Constraint.[19] If the displayed portion of the reserve order is

decremented such that less than one round lot would be displayed, the displayed portion

of the reserve order shall be refreshed for either (i) the original displayed quantity, or (ii)

the entire reserve quantity, if the total number of unexecuted shares in the order is smaller

than the original Member instructed displayed quantity. Each time the displayed portion

of the order is refreshed from the reserve quantity, that portion is prioritized behind other

existing displayed orders; the priority of the non-displayed portion, however, is

unchanged by the refresh process.

   IEX recently implemented a rule change that provides for the option to display

odd lot size orders, including allowing them to aggregate to form a protected quotation.[20]

In connection with the implementation of displayed odd lot size orders, IEX modified its

reserve order functionality to provide that if the display quantity of a reserve order

decrements to less than a round lot (and there are not enough shares remaining in the

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[18] See IEX Rule 11.190(h)(1).
[19] See IEX Rule 11.190(h)(2).
[20] See Securities Exchange Act Release No. 90933 (January 15, 2021), 86 FR 6687 (January 22, 2021) (SR-IEX-2021-01).

reserve quantity to refresh the display quantity to more than a round lot), the display

quantity retains its displayed status and its execution priority.[21]

<div align="center">Proposal</div>

IEX proposes to amend IEX Rule 11.190(b)(2) to: (i) allow reserve orders to be

submitted with an odd lot sized display portion; and (ii) allow Members to elect that the

initial and replenishment display quantity for the reserve order will be randomly

determined by the System within a range specified by the Member. As described below,

IEX believes this proposal, which combines order types and functionality previously

considered by the Commission, will encourage the posting of more displayed liquidity on

the Exchange in a manner that benefits all market participants.

1. Odd Lot Display Quantity Reserve Orders

IEX proposes to modify its reserve order type to allow Members to submit a

reserve order with an odd lot size display quantity, in addition to the current functionality

which allows Members to submit a reserve order with either a round or mixed lot size

display quantity.

As proposed, odd lot size display quantity reserve orders ("Displayed Odd Lot

Reserve orders") would function much like a round or mixed lot size display quantity

reserve order, except that the display quantity would only replenish from the reserve

quantity when the displayed portion of the order is decremented to zero shares, as

opposed to round and mixed lot size display quantity reserve orders, which would

continue to replenish the display quantity whenever they decrement to less than a round

lot. IEX believes that replenishing a Displayed Odd Lot Reserve order only when the

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[21] See supra note 20.

display quantity has been fully exhausted is the most reasonable and workable approach. As a threshold matter, the display quantity of a Displayed Odd Lot Reserve order by definition will always be less than a round lot and will vary based on the Member instructed displayed quantity and can be as low as one share. Therefore, the trigger for replenishment cannot be a quantity that is the same for all orders unless it is when the displayed quantity decrements to zero.

IEX notes that it also considered having Displayed Odd Lot Reserve orders replenish anytime one or more share of the displayed portion was executed, but decided against it for the following reasons. First, as a practical matter, Displayed Odd Lot Reserve orders will be far less useful to Members if any partial executions of the display portion trigger a replenishment, resulting in the display portion receiving a new time stamp and being prioritized behind all other existing displayed orders at that price. Second, as discussed below, a Displayed Odd Lot Reserve order would be eligible for optional random replenishment, which means the next time the display quantity of the order replenishes, it could be randomly set at a value lower than the prior display quantity, and IEX seeks to avoid this confusing and illogical outcome. Third, IEX believes that having a Displayed Odd Lot Reserve Order replenish any time there is a partial execution of the displayed portion of the order could increase the likelihood of adverse selection through information leakage of the presence of a larger non-displayed reserve portion of the order. IEX notes that the Commission made the same determination when it approved a 2018 rule filing by the New York Stock Exchange LLC ("NYSE") that changed NYSE's reserve order replenishment trigger from replenishing after any execution of a portion of the displayed quantity to only replenishing when the

display quantity decrements to less than a round lot.[22] Based on informal discussions

with Members, IEX believes that the proposed approach would lead to increased use of

Displayed Odd Lot Reserve orders compared to other approaches, as discussed above.

IEX also notes that this proposed approach to Displayed Odd Lot Reserve order

replenishment mirrors the functionality of options exchanges with reserve order types

that display in odd lot quantities that replenish their display quantity only when it is fully

exhausted.[23]

IEX believes that providing for Displayed Odd Lot Reserve orders will

incentivize the posting of more displayed liquidity on IEX, and the corresponding

opportunity for market participants to interact with displayed liquidity. In this regard,

IEX believes that the increasing prevalence of high-priced securities (including many

securities that trade for more than $1,000 per share)[24] makes quoting in round lot

multiples inaccessible to some market participants. As the Commission recently noted,

"a significant proportion of quotation and trading activity occurs in odd-lots, particularly

for frequently traded, high priced stocks."[25] The Commission also noted that "frequently

traded, high priced securities were more likely to have executions occur in odd-lot sizes

(about 34% of the share volume of the 50 securities with the highest share prices) than

lower priced securities (about 3.4% of the 50 securities with the lowest share prices)."[26]

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[22] See Securities Exchange Act Release No. 83768 (August 3, 2018), 83 FR 39488 (August 9, 2018). The fact that, until 2018, NYSE triggered replenishment with any partial execution of the display portion of a reserve order shows that only replenishing a reserve order when it decrements to less than a round lot is not the only Commission-approved replenishment trigger.

[23] See BZX Rule 21.1(d)(1); Cboe EDGX Exchange, Inc. ("EDGX") Rule 21.1(d)(1).

[24] As of July 2021, there are 21 securities trading for $1,000 per share or more, and an additional 38 securities trading between $500 and $999.99 per share.

[25] See Securities Exchange Act Release No. 90610 (December 9, 2020), 86 FR 18596, 18616 n. 240 (April 9, 2021) ("Market Data Infrastructure Final Rule").

[26] See supra note 25.

Furthermore, the Commission has noted that almost half of all on-exchange trades are odd lot sized, and about 40% of those odd lot trades occur at prices better than the NBBO.[27] Thus, allowing reserve orders to display odd lot quantities would both encourage the posting of more displayed liquidity on the Exchange, and offer more price improvement for high priced stocks that often trade in odd lot quantities at better prices than the NBBO.[28]

Additionally, based on informal discussions with IEX Members, the Exchange believes that use of reserve orders would increase in high priced securities if the displayed portion of the reserve order could be entered in an odd lot quantity.

IEX notes that its proposal for Displayed Odd Lot Reserve orders is not novel, in that all four of the Cboe equities exchanges allow a reserve order to be submitted with a user instructed display quantity of less than one round lot.[29] Additionally, BZX's and EDGX's options exchanges offer displayed odd lot reserve orders that replenish in the same manner as the current proposal – when the displayed portion of the odd lot reserve order is fully executed, the order is replenished from the reserve quantity.[30]

2. Random Replenishment

IEX proposes to offer Members the option to elect that the initial and each

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[27] See supra note 25.

[28] Displayed odd lot orders do not update the NBBO unless aggregated to form a round lot size quotation, and thus can be priced better than the NBBO.

[29] See BZX Rule 11.9(c)(1); Cboe BYX Exchange, Inc. ("BYX") Rule 11.9(c)(1); Cboe EDGA Exchange, Inc. ("EDGA") Rule 11.6(m); EDGX Rule 11.6(m); see also Cboe US Equities FIX Specification (Version 2.9.2) avail. at http://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf (setting no minimum value for the user instructed display quantity for reserve orders). IEX notes that the Cboe equity exchange rules clearly allow for the entry of an odd lot size display quantity, but are unclear as to how much the display quantity must decrement before it replenishes to its initial display quantity.

[30] See supra note 23.

replenishment display quantity for the reserve order will be randomly determined by the

System within a range specified by the Member. IEX proposes to add the defined term of

"Max Floor" to IEX Rule 11.190(b)(2), to specify the base display quantity for all reserve

orders. As proposed, a Member can submit a reserve order with a Max Floor in an odd

lot quantity, as well as in a quantity equal to or greater than a round lot as provided for

under current rules. Further, IEX proposes that if the reserve order's Max Floor is either

an odd lot or a round lot multiple, the Member may include an instruction that the reserve

order's display quantity be randomly replenished (as discussed below, random

replenishment would not be available to reserve orders with a Max Floor of either a

single round lot or a mixed lot).

As proposed, Members may attach an optional random replenishment instruction

(the "Display Range") to any reserve order with a Max Floor of either an odd lot or a

round lot multiple. If the Member includes a Display Range with a reserve order, the

reserve order's display quantities (both upon initial posting and upon any subsequent

replenishments) would be randomly determined by the System within a replenishment

range specified by the Member. Specifically, the Member would specify a Display

Range and a Max Floor. The System would then randomly select the number of shares it

will use to replenish the display quantity in the following ways (depending upon the Max

Floor of the Order):

- If the reserve order's Max Floor equals a round lot multiple, the Member would select a Display Range in a round lot or multiple thereof that is less than the Max Floor. The System would then use the Max Floor and Display Range to determine the initial and replenishment displayed quantity each time the order is subject to replenishment by randomly selecting a round lot number of shares that is between the Max Floor minus the Display Range and the Max Floor plus the Display Range.

- If the reserve order's Max Floor is less than one round lot, the Member would select a Display Range of one or more shares that is less than the Max Floor. The System would then use the Max Floor and Display Range to determine the initial and replenishment displayed quantity each time the order is subject to replenishment by randomly selecting a number of shares that is between the Max Floor minus the Display Range and the Max Floor plus the Display Range (provided that if the Max Floor plus the Display Range equals a round lot or greater, the high end of the Display Range will be one share less than a round lot). [31]

As proposed, Members could still elect to have their reserve orders employ the current, fixed replenishment, functionality. In order to use fixed replenishment, a Member would submit a reserve order with a Max Floor, but without a Display Range. With fixed replenishment, the display quantity will be equal to the Max Floor both when the order first posts to the Order Book and any time the display quantity is replenished from the reserve (i.e., when the display quantity is decremented to zero shares if the Max Floor is less than one round lot, or any time the display quantity decrements to less than one round lot if the Max Floor is greater than or equal to a round lot).

Random replenishment for reserve orders is an optional additional tool to assist Members in achieving the general goal of reserve orders, which is to display less than the full size of the order to avoid leaking information regarding the presence of a large resting reserve order.[32] Because random replenishment results in the display quantity of a Reserve order varying with each replenishment, this functionality will further reduce the ability of other market participants to detect that such order is in fact a reserve order with a potentially large non-displayed reserve portion.

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[31] Because random replenishment would not be available for mixed lot display quantity reserve orders, the maximum value for the random replenishment range of a Displayed Odd Lot Reserve order must be one share less than a round lot. Therefore, if a Member submitted a Displayed Odd Lot Reserve order with a Max Floor of 95 and a Display Range of 10, the System would randomly select a replenishment value between 85 and 99.

[32] Identification of a large resting non-displayed order on an exchange can provide information regarding buy or sell interest resulting in market moving trading adverse to the resting order.

IEX is not proposing to offer random replenishment for reserve orders with a Max Floor of a single round lot because the random replenishment functionality would not work with a Max Floor of one round lot. Specifically, as noted above, when a Member selects random replenishment for a reserve order, the Member must submit the order with a Display Range that is less than the Max Floor. Thus, if a reserve order's Max Floor is one round lot, the Display Range must be zero, so the reserve order will always replenish using only the Max Floor, rendering random replenishment inoperable. Therefore, reserve orders with a Max Floor equal to one round lot will only be able to use the current fixed replenishment functionality.

Additionally, IEX is not proposing to offer random replenishment for reserve orders with a Max Floor that is a mixed lot because implementation would involve technical complexity. From informal discussions with Members, IEX determined there was little interest in having the option of random replenishment for a displayed mixed lot reserve order. Thus, IEX believes that offering only fixed replenishment for displayed mixed lot reserve orders strikes the right balance of offering enhanced reserve order functionality to Members without introducing unnecessary technical complexity to its reserve order functionality.

IEX notes that the proposed random replenishment functionality for reserve orders with a Max Floor that is a round lot multiple is substantially similar to that of several other equity exchanges that offer random replenishment for reserve orders.[33] And as described above, the proposed new random replenishment functionality for reserve orders with a Max Floor that is less than a round lot is substantially similar to the

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[33] See BZX Rule 11.9(c)(1); EDGX Rule 11.6(m); MIAX PEARL LLC Rule 2614(c)(8)(A); MEMX Rule 11.6(k)(1)(A); Nasdaq Rule 4703(h).

functionality used by options exchanges that offer displayed odd lot reserve orders with

random replenishment.[34]

The following examples demonstrate the proposed odd lot fixed and random

replenishment functionality:

Example 1: Displayed odd lot reserve order with fixed replenishment

- Member submits a reserve order to buy 200 shares of XYZ with a Max Floor of 20 and no Display Range.

- The order does not execute upon entry and posts to the Order Book with a display quantity of 20 shares and a reserve quantity of 180 shares.

- An inbound order to sell 10 shares of XYZ is entered into the System and executes against 10 shares of the displayed quantity. The reserve order has a displayed portion of 10 shares and a reserve quantity of 180 shares. Because the displayed portion did not decrement to zero shares, it does not get replenished.

- A second inbound market order to sell 10 shares of XYX is entered into the System and executes against the remaining displayed quantity, decrementing it zero shares.

- The System replenishes the display quantity to 20 shares (the Max Floor), leaving a reserve quantity of 160 shares.

Example 2: Displayed round lot multiple reserve order with random replenishment

- Member submits a reserve order to buy 2000 shares of XYZ with a Max Floor of 400 and a Display Range of 200.

- The order does not execute on entry, and the System uses the Max Floor and the Display Range to generate a replenishment range of either 200, 300, 400, 500, or 600 shares from which the System will randomly select the initial replenishment quantity. The System randomly selects 300 as the initial replenishment quantity, meaning the reserve order's initial display quantity will be 300 shares, with a reserve quantity of 1,700 shares.

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[34] See supra note 23; see also Cboe US Options FIX Specification (Version 2.7.37) avail. at https://cdn.cboe.com/resources/membership/US_Options_FIX_Specification.pdf (random replenishment of an option reserve order requires a Display Range of one or more shares, which is the same functionality IEX is proposing for random replenishment of a Displayed Odd Lot Reserve order).

- An incoming order to sell 250 shares matches with the resting reserve order's display quantity, leaving 50 shares in the display quantity (and 1,700 in the reserve quantity).

- Because the Max Floor is at least one round lot, the reserve order replenishes when the display quantity decrements to less than one round lot, so the System again randomly selects a replenishment quantity from the replenishment range of either 200, 300, 400, 500, or 600 shares. The System randomly selects 600 as the next replenishment quantity, meaning the display quantity will be replenished to 600 shares, with 550 shares decremented from the reserve quantity, which will now be 1,150 shares.

<u>Example 3: Displayed odd lot reserve order with random replenishment</u>

- Member submits a reserve order to buy 200 shares with a Max Floor of 50 and a Display Range of 3.

- The order does not execute on entry, and the System generates a replenishment range of either 47, 48, 49, 50, 51, 52, or 53 from which the System will randomly select the replenishment quantity. The System randomly selects 48 as the initial replenishment quantity, meaning the displayed quantity will be 48 shares, with the remaining 152 shares in the reserve quantity.

- An incoming order to sell 48 shares matches with the resting reserve order's displayed portion, leaving 0 shares in the display quantity (and 152 shares in the reserve quantity).

- Because the Max Floor is an odd lot, and the display quantity decremented to zero shares, the reserve order replenishes the display quantity, so the System again randomly selects a replenishment quantity from the replenishment range of either 47, 48, 49, 50, 51, 52, or 53 shares. The System randomly selects 53 as the next replenishment quantity, meaning the display quantity will be replenished to 53 shares, with 53 shares decremented from the reserve quantity, which will now be 99 shares.

IEX is also proposing to make the following conforming changes to IEX Rule 11.190(b)(2). First, IEX proposes to delete current subparagraph (H), which describes how a displayed portion of a reserve order retains its displayed status and priority if it decrements to an odd lot, because it is rendered redundant by the introduction of displayed quantity odd lot reserve orders. Second, IEX proposes to renumber current subparagraphs (A) to (G) of the rule as subparagraphs (B) to (H) to incorporate the

addition of new introductory subparagraph (A).[35] Third, IEX proposes to modify

Supplementary Material .01 ("Reserve Orders") to clarify that displayed portions would

be replenished based on the replenishment options in new IEX Rule 11.190(b)(2)(A).

Finally, IEX proposes to modify IEX Rule 11.220(a)(C)(v) to change the term

"refreshed" to "replenished" and to clarify that not all reserve orders replenish when the

display portion decrements to less than one round lot, but rather pursuant to the

conditions set forth in the proposed changes to IEX Rule 11.190(b)(2).

The following is a list of the specific proposed changes to IEX Rule 11.190(b)(2):

- Modify any references in the rule to a "refresh" of the display quantity to the more technically accurate term "replenish," which reflects the manner in which the System replenishes the displayed portion of a reserve order with shares taken from the non-displayed portion.

- Modify the second sentence of IEX Rule 11.190(b)(2) to add language stating that the display quantity "may be a fixed or random number of shares; and an odd, mixed, or round lot quantity," and delete the language stating that User provided display quantity "must be equal to or greater than a round lot; the System will reject a reserve order with a User instructed display quantity less than a round lot."

- Modify the fourth sentence of IEX Rule 11.190(b)(2) to add language specifying that the User instructed display quantity may be determined by "fixed or random replenishment."

- Add a new seventh sentence of IEX Rule 11.190(b)(2) stating that to enter a reserve order, a User must specify a base display quantity ("Max Floor") and may enter a replenishment value as described in subparagraph (A) of IEX Rule 11.190(b).

- Modify the eighth sentence of IEX Rule 11.190(b)(2) (formerly the seventh sentence) to add language clarifying that a reserve order with a Max Floor of a round lot or greater will continue to replenish its displayed portion when the displayed portion decrements to less than one round lot. Also modify the language about how a reserve order with a Max Floor replenishes by removing the language about how it always replenishes to

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[35] Because IEX is proposing to delete subparagraph (H) of the rule, while adding a new subparagraph (A), subparagraph (I) will not need to be renumbered.

the original displayed quantity and adding language stating that the reserve order will replenish its displayed portion pursuant to one of the replenishment processes set forth in the newly added subparagraph (A) of the rule.

- Add a new ninth sentence of IEX Rule 11.190(b)(2) stating that a reserve order with a Max Floor of less than one round lot (an odd lot), will replenish its displayed portion when the displayed portion is decremented to zero shares, and add language stating that the reserve order will replenish its displayed portion pursuant to one of the replenishment processes set forth in the newly added subparagraph (A) of the rule.

- Add to the end of the eleventh sentence of IEX Rule 11.190(b)(2) (formerly the ninth sentence) the language that a reserve order "has the following attributes:" set forth in the subsequent subparagraphs.

- Add new subsection (A) to IEX Rule 11.190(b)(2) ("Replenishment Options") that reads: "The following replenishment options determine the size of the displayed quantity for any reserve order that does not fully execute on entry.

- Add new subsection (A)(i) to IEX Rule 11.190(b)(2) ("Random Replenishment") that sets forth new the random replenishment functionality, as detailed in this filing.

- Add new subsection (A)(i)(a) to IEX Rule 11.190(b)(2) ("Random Replenishment") that sets forth new the random replenishment functionality for reserve orders with a Max Floor equal to a round lot multiple, which is detailed in this filing.

- Add new subsection (A)(i)(b) to IEX Rule 11.190(b)(2) ("Random Replenishment") that sets forth new the random replenishment functionality for reserve orders with a Max Floor equal to less than one round lot, which is detailed in this filing.

- Add new subsection (A)(ii) to IEX Rule 11.190(b)(2) ("Fixed Replenishment") that sets forth retention of the current replenishment functionality for all orders for which random replenishment has not been selected, as detailed in this filing.

- Renumber current subparagraphs (A) to (G) of current IEX Rule 11.190(b)(2) to subparagraphs (B) to (H).

- Remove current subparagraph (H) of current IEX Rule 11.190(b)(2).

- Modify Supplementary Material .01 ("Reserve Orders") as follows: (i) in the first sentence, add "on entry" after the words "if a reserve order is not

fully executed" for clarity; (ii) in the same sentence, remove the words "for the User instructed" that describe the display quantity and replace them with the words "based on the replenishment options sets forth in paragraph (b)(2)(A) of this IEX Rule;" (iii) in the same sentence, add the word "quantity" after the words "non-displayed" for clarity and consistency (matching the earlier phrase "displayed quantity").

- Modify IEX Rule 11.220(a)(C)(v) to change the term "refreshed" to "replenished" and to remove the words "after receiving an execution that decrements the displayed portion of a reserve order below one round lot pursuant to" and replace them with the words "as set forth in [IEX Rule 11.190(b)(2)]" to reflect that not all reserve orders replenish when the display portion decrements to less than one round lot, but rather pursuant to the conditions set forth in the proposed changes to IEX Rule 11.190(b)(2).

<u>Implementation</u>

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.

2.   <u>Statutory Basis</u>

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[36] in general, and furthers the objectives of Section 6(b)(5),[37] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it is designed to provide more flexibility and opportunities for

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[36] 15 U.S.C. 78f(b).
[37] 15 U.S.C. 78f(b)(5).

Members to add displayed liquidity to the Exchange. As noted in the Purpose section, the proposed rule change is responsive to informal feedback from Members indicating that they prefer the optionality to use Displayed Odd Lot Reserve orders to post displayed liquidity, particularly for high-priced securities. Thus, IEX believes that the proposed rule change will attract additional displayed liquidity to the Exchange and, to the extent it is successful in doing so, will benefit all market participants, thereby supporting the purposes of the Act to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest. The Exchange also believes that, as discussed in the Purpose section, enabling the use of Displayed Odd Lot Reserve orders will enhance opportunities for price discovery and increase the overall displayed liquidity profile on the Exchange to the benefit of all market participants.

Additionally, IEX believes that having a Displayed Odd Lot Reserve order replenish its displayed portion when it decrements to zero shares is consistent with the Act, because, as discussed in the Purpose section, it is the most workable reasonable approach to protecting investors from information leakage and potential adverse selection in a manner responsive to Members' feedback. Accordingly, IEX believes that this approach could incentivize the use of more reserve orders thereby increasing the availability of displayed liquidity over fully non-displayed orders. For all these reasons, IEX believes that replenishing Displayed Odd Lot Reserve orders when the displayed portion decrements to zero supports investor protection and the public interest.

Further, IEX believes that the addition of the random replenishment option for reserve orders is consistent with the Act as it is designed to help to achieve the general

goal of reserve orders, which is to display less than the full size of the order to avoid leaking information about the presence of a large resting reserve order which can result in market movement adverse to the reserve order. Because random replenishment results in the display quantity of a reserve order varying with each replenishment, this functionality will further reduce the ability of other market participants to detect that such order is in fact a reserve order.

Furthermore, IEX believes it is consistent with the Act to offer only fixed replenishment for reserve orders with a Max Floor of a single round lot or a mixed lot for the reasons discussed in the Purpose section. IEX believes that the proposed approach provides a reasonable approach with appropriate optionality.

IEX also notes that, as discussed in the Purpose section, the proposed random replenishment functionality is consistent with the rules of several other equities[38] and options[39] exchanges and thus the Exchange does not believe that this aspect of the proposed rule change raises any new or novel issues not already considered by the Commission.

Finally, the Exchange believes that the proposed non-substantive conforming changes to IEX Rule 11.190(b)(2) (including the supplementary material) and IEX Rule 11.220(a)(1)(C) are consistent with the protection of investors and the public interest because they will have no impact on the functionality of reserve orders, but rather simply provide consistency and clarity to how reserve orders function, thereby reducing the potential for confusion of any market participants.

      B.   <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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[38] See <u>supra</u> note 33.
[39] See <u>supra</u> note 23.

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

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is designed to enhance IEX's competitiveness with other markets by enabling IEX to offer reserve order functionality substantially similar to that offered by several other equity exchanges. As discussed in the Purpose section, the proposal is designed to incentivize the entry of additional liquidity providing orders on IEX by offering Members the flexibility of using an odd lot display quantity as well as random replenishment of the displayed quantity of a reserve order as described in the Purpose and Statutory Basis sections. Thus, IEX believes that the proposed rule change will enhance its ability to compete with other exchanges that already offer this functionality and thereby attract more reserve orders to the Exchange, to the benefit of all market participants. Moreover, other exchanges may adopt similar functionality subject to the Commission rule filing process.

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 a Displayed Odd Lot Reserve order, and all Members would be eligible to use random or fixed replenishment for their reserve orders in the same manner. Moreover, the proposal would provide potential benefits to all Members to the extent that there is more liquidity available on IEX as a result of increased use of reserve orders.

Further, the proposed conforming edits to IEX Rule 11.190(b)(2) (including the

supplementary material) and Rule 11.220(a)(1)(C) are not designed to address any

competitive issue, but rather to provide additional clarity in IEX's rulebook.

      C.   <u>Self-Regulatory Organization's Statement on Comments on the Proposed
Rule Change Received from Members, Participants, or Others</u>

Written comments were neither solicited nor received.

III.   <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission
Action</u>

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

19(b)(3)(A)[40] of the Act and Rule 19b-4(f)(6)[41] 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-4[42] because it would not significantly affect the

protection of investors or the public interest and would not impose any significant burden

on competition. Rather, the proposed rule change neither significantly affects the

protection of investors or the public interest, nor does it impose any burden on

competition because it would merely combine the attributes of existing IEX order types –

displayed odd lot orders and reserve orders – to expand the functionality available to

Members, as discussed in the Purpose section, and introduces random replenishment of

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[40] 15 U.S.C. 78s(b)(3)(A).
[41] 17 CFR 240.19b-4(f)(6).
[42] 17 CFR 240.19b-4(f)(6).

reserve orders, which has long been in effect at other equity exchanges. Additionally,

IEX believes that the proposal to have Displayed Odd Lot Reserve orders refresh the

displayed portion when it decrements to zero shares will serve to protect investors who

want to use Displayed Odd Lot Reserve orders to display liquidity with lower risks of

information leakage and potential latency arbitrage, thereby incentivizing the posting of

more displayed liquidity on the Exchange to the benefit of all market participants.

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

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

existing order types offered by IEX or other exchanges. Accordingly, IEX has

designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[43] and

paragraph (f)(6) of Rule 19b-4 thereunder.[44]

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)[45] 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:

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[43] 15 U.S.C. 78s(b)(3)(A).
[44] 17 CFR 240.19b-4(f)(6).
[45] 15 U.S.C. 78s(b)(2)(B).

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-

  2021-11 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-2021-11. This file number

should be included in the subject line if email is used. To help the Commission process

and review your comments more efficiently, please use only one method. The

Commission will post all comments on the Commission's Internet website

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

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

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-2021-11 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.[46]

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[46] 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

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Rule 11.190. Orders and Modifiers

(a) No change.

(b) Order Parameters.

    (1) No change.

    (2) Reserve Order. An order with a portion of the quantity displayed ("display quantity") and with a non-displayed reserve portion of the quantity ("reserve quantity"). The User instructed display quantity may be a fixed or random number of shares; and an odd, mixed, or round lot quantity[must be equal to or greater than a round lot; the System will reject a reserve order with a User instructed display quantity less than a round lot]. An incoming reserve order is first processed as a single order of its full, unexecuted share size as it checks the Order Book for eligible resting contra interest. If it is not fully executed, it will be posted to the Order Book and effectively be treated as two discrete orders: one displayed for the User instructed fixed or random replenishment quantity ("displayed portion"), and one non-displayed for all other remaining, unexecuted shares ("non-displayed portion"). For the purposes of pricing reserve orders on the Order Book, displayed portions are treated as displayed orders and non-displayed portions are treated as non-displayed orders. As described in IEX Rule 11.190(h), it is possible for the non-displayed portion to rest at a different price than the displayed portion, since the non-displayed portion is subject to the Midpoint Price Constraint while the displayed portion is subject to display-price sliding. The User must specify a base display quantity ("Max Floor") and may enter a replenishment value as described in subparagraph (2)(A) of this Rule 11.190(b). If the reserve order has a Max Floor of at least one round lot and the displayed portion of the reserve order is decremented such that less than one round lot would be displayed, the displayed portion of the reserve order shall be [refreshed for either (i) the original display quantity,]replenished from the non-displayed portion pursuant to subparagraph (2)(A) of this Rule 11.190(b) (the "replenishment process") or by [(ii)]the entire reserve quantity, if the total number of unexecuted shares in the order is smaller than the [original User instructed displayed quantity.]replenishment quantity determined by the replenishment process. If a reserve order has a Max Floor that is less than a round lot, and the displayed portion of the reserve order is decremented to zero shares, the displayed portion of the reserve order shall be replenished from the non-

displayed portion pursuant to the replenishment process, or by the entire reserve quantity, if the total number of unexecuted shares in the order is smaller than replenishment quantity determined by the replenishment process. Each time the displayed portion of the order is [refreshed]replenished from the reserve quantity, that portion is prioritized behind other existing displayed orders; the priority of the non-displayed portion, however, is unchanged by the [refresh]replenishment process. A reserve order has the following attributes:

(A)   Replenishment Options. The following replenishment options determine the size of the displayed quantity for any reserve order that does not fully execute on entry.

        (i)   Random Replenishment. An optional instruction a User may attach to a reserve Order where initial and replenishment displayed quantities for the order are randomly determined by the System within a replenishment range specified by the User. Specifically, the User must specify a replenishment value and a Max Floor (which may be either a round lot multiple or less than one round lot, but may not be a single round lot or a mixed lot). The display quantity will be determined by the System randomly selecting a number of shares as follows:

        (a) If the Max Floor is equal to a round lot multiple, the User must select a replenishment value in a round lot or multiple thereof that is less than the Max Floor. The System will determine the initial and replenishment displayed quantity each time the order is subject to replenishment by randomly selecting a round lot number of shares that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value.

        (b) If the Max Floor is less than one round lot, the User must select a replenishment value of one or more shares that is less than the Max Floor. The System will determine the initial and replenishment displayed quantity each time the order is subject to replenishment by randomly selecting a number of shares that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value (provided that if the Max Floor plus the replenishment value equals a round lot or greater, the high end of the replenishment range will be one share less than a round lot).

        (ii)   Fixed Replenishment. For an order for which the random replenishment instruction has not been selected, the displayed replenishment quantity will be equal to the Max Floor.

(B[A]) Must be a limit order, including a Discretionary Limit order.

(C[B]) Must have a TIF of DAY, GTX, SYS, or GTT.

(D[C]) May be either IEX Only or routable.

(E[D]) May not be an ISO, as defined in paragraph (12) below.

(F[E]) Must be submitted with a limit price.

(G[F]) May be submitted during the Pre-Market Session, Regular Market Session, and Post-Market Trading Session, with the exception of Discretionary Limit reserve orders, which may only be submitted as set forth in IEX Rule 11.190(b)(7)(E)(v).

(H[G]) May not be a MQTY, as defined in paragraph (11) below.

[(H) If an order marked for display is decremented either by execution or the User order amendment to an order quantity of less than one round lot, it will be treated as a displayed odd lot order and will retain its priority.]

(I) Displayed portions of reserve orders are not eligible to be invited by the System to Recheck as described in IEX Rule 11.230(a)(4)(D).

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• • • Supplementary Material • • •

.01 Reserve Orders

As stated in paragraph (b)(2) of this IEX Rule, if a reserve order is not fully executed on entry, it will be posted to the Order Book and effectively treated as two discrete orders: one displayed [for the User instructed]quantity based on the replenishment options set forth in paragraph (b)(2)(A) of this IEX Rule ("displayed portion"), and one non-displayed quantity for all other remaining, unexecuted shares ("non-displayed portion"). For the purposes of pricing reserve orders on the Order Book, displayed portions are treated as displayed orders and non-displayed portions are treated as non-displayed orders. As described in IEX Rule 11.190(h), it is possible for the non-displayed portion of a reserve order to rest at a different price than the displayed portion of the reserve order, since the non-displayed portion is subject to the Midpoint Price Constraint while the displayed portion is subject to display-price sliding. D-Limit reserve orders function like any other reserve order, except they can only trade during the Regular Market Session, and if a D-Limit reserve order has been subject to an automatic price adjustment pursuant to paragraphs (b)(7)(C) and (D) of this IEX

Rule, both the displayed and non-displayed portions of the D-Limit reserve order will continue to be ranked and displayed (in the case of the displayed portion) at the adjusted price. The adjusted price functions as an effective limit price for both the displayed and non-displayed portions of the D-Limit reserve order if one or both portions of the D-Limit reserve order are subsequently price adjusted pursuant to the Price Sliding provisions of paragraph (h) of this IEX Rule.

For example, NBBO is $10.01 x $10.02 and IEX does not have any orders resting at the NBO.

IEX receives a non-routable, reserve DAY buy order for 1000 shares with a limit of $10.02 and a User instructed display quantity of 200 shares. After testing the Order Book at $10.02 and receiving no execution, the order is split into the displayed portion, a displayed DAY buy order for 200 shares with a limit of $10.02, and the non-displayed portion, a non-displayed DAY buy order for 800 shares with a limit of $10.02. The displayed portion, subject to display-price sliding, is booked and ranked on the Order Book displayed at a price equal to one (1) MPV below the current NBO, which is $10.01. The non-displayed portion, subject to the Midpoint Price Constraint, is booked and ranked on the Order Book non-displayed at a price equal to the new Midpoint Price, which is $10.015.

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Rule 11.220. Priority of Orders

(a) Determination of Rank.

(1)   Orders resting in the Order Book shall be ranked and maintained based on the following priority:

(A)-(B)   No change.

(C)   Time. The System shall rank equally priced trading interest with the same display within the System in time priority. Subject to the Execution Process described below, where orders to buy (or sell) are resting at the same price with the same display, the order clearly established as the oldest in the System at such particular price and display shall have precedence at that price and display, up to the number of shares of stock specified in the order. Orders are ranked by the time at which they are posted to the Order Book at a given price, the first to be posted at a given price being the oldest. Orders maintain their time priority once booked until one of the following occur, at which time the order will receive a new timestamp:

(i)-(iv) No change.

(v) The displayed portion of a reserve order is given a new timestamp when it is [refreshed]<u>replenished</u> by the System [after receiving an execution that decrements the displayed portion of a reserve order below one round lot pursuant to]<u>as set forth in</u> IEX Rule 11.190(b)(2).

(vi)-(vii) No change.

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