

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 32

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2022 - * 05

Amendment No. (req. for Amendments *)

Filing by Investors' Exchange LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
--	---	--	--	--	---

Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
-----------------------------------	--	--

Rule

<input type="checkbox"/>	19b-4(f)(1)	<input type="checkbox"/>	19b-4(f)(4)
<input type="checkbox"/>	19b-4(f)(2)	<input type="checkbox"/>	19b-4(f)(5)
<input type="checkbox"/>	19b-4(f)(3)	<input checked="" type="checkbox"/>	19b-4(f)(6)

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

Proposed Rule Change to Add a New Order Type that Pegs to the Contra-side Primary Quote ("Market Peg"), with the Option of Using a Passive Offset Amount.

Contact Information

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

First Name * 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 08/08/2022

(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: 2022.08.08 11:10:20 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

Market Peg 19b-4 v6 - for filing.doc

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 *

Add Remove View

Market Peg 19b-4 Ex. 1.doc

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 *

Add Remove View

--

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

Add Remove View

--

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

Add Remove View

--

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

Add Remove View

--

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

Add Remove View

Market Peg Ex. 5 v6 - for filing.doc

--

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

Add Remove View

--

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to add a new order type (a “Market Peg” order) that pegs to the contra-side primary quote, with the option of using a passive offset amount.³ The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act⁴ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁵

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The contra-side primary quote is the national best offer for a buy order or the national best bid for a sell order, as set forth in Rule 600(b) of Regulation NMS under the Act, determined as set forth in IEX Rule 11.410(b). See IEX Rule 1.160(u).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4.

Exchange's governing documents. Therefore, the Exchange's internal procedures with respect to the proposed rule change are complete.

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

Claudia Crowley
Chief Regulatory Officer
Investors Exchange LLC
646-343-2041

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

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

a. Purpose

The Exchange proposes to amend IEX Rule 11.190 to add a new Market Peg order type that pegs to the contra-side primary quote⁶, minus (plus) an optional passive⁷ offset amount for buy (sell) orders, as specified by the User.⁸ In addition, the Exchange proposes two conforming amendments to IEX Rules Rule 11.190(a)(3) and 11.190(h)(3).

Currently, the Exchange offers four types of pegged orders – primary peg, midpoint peg, Discretionary Peg, and Offset Peg⁹ – each of which are non-displayed orders that upon entry into the System¹⁰ and while resting on the Order Book¹¹, are pegged to a reference price based on the national best bid and offer (“NBBO”)¹² and the price of the order is automatically adjusted by the System in response to changes in the

⁶ See supra note 3.

⁷ A passive offset is a negative number for buy orders and a positive number for sell orders, thereby making the order's price less aggressive than the contra-side primary quote.

⁸ See IEX Rule 1.160(qq).

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

¹⁰ See IEX Rule 1.160(mn).

¹¹ See IEX Rule 1.160(p).

¹² See IEX Rule 1.160(u).

NBBO.¹³

The Exchange now proposes to add a new type of pegged order – a Market Peg order – that is a non-displayed pegged order that upon entry and when posting to the Order Book, has its price automatically adjusted by the System to be equal to and ranked at the less aggressive of the contra-side primary quote (i.e., the NBO¹⁴ for buy orders and NBB¹⁵ for sell orders), minus (plus) an offset amount for buy (sell) orders, if the User opts to submit the order with an offset amount, or the order’s limit price, if the User opts to submit the order with a limit price. If a User submits a Market Peg buy order with a positive offset amount, or a Market Peg sell order with a negative offset amount, the offset amount will be disregarded. While resting on the Order Book, (i) a buy order is automatically adjusted by the System in response to changes in the NBO minus the offset amount up to the order’s limit price, if any; and (ii) a sell order is automatically adjusted by the System in response to changes in the NBB plus the offset amount down to the order’s limit price, if any; and (iii) in locked and crossed markets, are priced to the less aggressive of the locking or crossing price (i.e., the lowest Protected Offer¹⁶ for buy orders and the highest Protected Bid¹⁷ for sell orders).¹⁸ Further, a Market Peg order would not be eligible to trade when the market is locked or crossed, either upon order entry or when resting on the Order Book.

Until recently, IEX imposed a “Midpoint Price Constraint” on all non-displayed

¹³ See IEX Rule 11.190(h)(2).

¹⁴ See IEX Rule 1.160(u).

¹⁵ See IEX Rule 1.160(u).

¹⁶ See IEX Rule 1.160(bb).

¹⁷ See IEX Rule 1.160(bb).

¹⁸ As with all pegged orders, each time the price of a Market Peg order is adjusted by the System it receives a new timestamp, as described in IEX Rule 11.220(a)(4).

orders, which prevented those orders from resting at prices between the Midpoint Price¹⁹ and the contra-side primary quote. The Midpoint Price Constraint meant IEX could not offer an order type that pegged to the contra-side primary quote.

IEX recently modified its non-displayed price sliding rules to allow non-displayed orders to book and rest at the contra-side primary quote based on its understanding that Members²⁰ would like to be able to post non-displayed orders at prices more aggressive than the Midpoint Price.²¹ With the removal of the Midpoint Price Constraint, IEX has received informal feedback from Members that they would like the option of pegging an order to the contra-side primary quote -- the most aggressive price at which the order can execute -- to enhance the order's execution opportunities. IEX understands that Members would also like to have the option of using a passive price offset for their Market Peg orders, which would allow the Member to obtain potential price improvement over the contra-side primary quote, while continuing to rest at an aggressive price with increased execution opportunities.

Accordingly, IEX proposes to add subparagraph (b)(18) to IEX Rule 11.190, to add the Market Peg order. IEX notes that this Market Peg order is based upon its Offset Peg order type²², with two major differences: the Offset Peg order pegs to the primary quote (i.e., the NBB for buy orders and the NBO for sell orders), while the Market Peg order pegs to the contra-side primary quote (i.e., the NBO for buy orders and the NBB for sell orders); and the Offset Peg can be submitted with an aggressive (positive for buy

¹⁹ See IEX Rule 1.160(t),

²⁰ See IEX Rule 1.160(s).

²¹ See Securities Exchange Act Release No. 94884 (May 10, 2022), 87 FR 29768 (May 16, 2022) (SR-IEX-2022-04).

²² See IEX Rule 11.190(b)(13).

orders/negative for sell orders) or passive (negative for buy orders/positive for sell orders) offset amount, while the Market Peg order can only be submitted with a passive offset amount. Market Peg orders can only have a passive offset because by default they rest at the contra-side primary quote, which is the most aggressive price at which IEX will allow an order to be booked²³; therefore, IEX will disregard any aggressive offset amounts attached to a Market Peg order.²⁴

As proposed, a Market Peg order:

- (A) Must be a pegged order.
- (B) May have any TIF described in IEX Rule 11.190(a)(3).
- (C) Is not eligible for routing pursuant to IEX Rule 11.230(b) and (c)(2).
- (D) May not be an inter-market Sweep Order²⁵.
- (E) May be submitted with a limit price or without a limit price (an “unpriced pegged order”).
- (F) Is eligible to trade only during the Regular Market Session. As provided in IEX Rule 11.190(a)(3)(E)(iii), any pegged order marked with a TIF of DAY that is submitted to the System before the opening of the Regular Market Session will be queued by the System until the start of the Regular Market Session; any pegged order that is marked with a TIF other than DAY will be rejected when submitted to the System during the Pre-Market Session. Any pegged order submitted into the System after the closing of the Regular Market Session will be rejected.
- (G) May be a minimum quantity order.²⁶
- (H) Is not eligible to display. Pegged orders are always non-displayed.
- (I) May be an odd lot, round lot, or mixed lot.
- (J) Is eligible to be invited by the System to Recheck the Order Book to trade against eligible resting contra-side interest as described in IEX Rule 11.230(a)(4)(D).
- (K) Is not eligible to trade when the market is locked or crossed.

²³ See IEX Rule 11.190(h)(2).

²⁴ For the same reason, if an Offset Peg order’s offset amount would result in the price of the Offset Peg order being more aggressive than the contra-side primary quote, IEX will reduce the offset amount so that the Offset Peg order is booked and ranked at the contra-side protected quotation. See IEX Rule 11.190(b)(13)(L).

²⁵ See IEX Rule 11.190(b)(12).

²⁶ See IEX Rule 11.190(b)(11).

(L) May be submitted with an offset amount that is passive compared to the contra-side primary quote. If the offset amount would result in the price of a Market Peg order being more aggressive than the contra-side protected quotation, the offset amount will be disregarded, so that the order is booked and ranked on the Order Book non-displayed at the contra-side protected quotation. If no offset amount is specified, the System will consider the offset amount to be zero.

In addition, the Exchange proposes two conforming amendments to other IEX rules. First, IEX Rule 11.190(a)(3) would be amended to add Market Peg orders to the list of pegged order types offered by IEX, describing Market Peg orders as an order that pegs to “the NBO (NBB) for buy (sell) orders minus (plus) an offset amount.” Second, IEX Rule 11.190(h) would be amended to describe the manner in which Market Peg orders will operate in locked and crossed markets. Specifically, when the market becomes locked, Market Peg orders, whether resting on or posting to the Order Book, will be priced at the least aggressive of the locking price plus (for sell orders) or minus (for buy orders) an offset amount, or the order’s limit price, if any.²⁷ Further, as proposed, Market Peg orders resting on or posting to the Order Book while the market is crossed are priced at the least aggressive of (1) the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders); (2) the crossing price plus (for sell orders) or minus (for buy orders) an offset amount, or (3) the order’s limit price, if any.²⁸

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

In addition, Market Peg orders will not be eligible to trade when the market is

²⁷ See proposed changes to IEX Rule 11.190(h)(3)(C)(iii).

²⁸ See proposed changes to IEX Rule 11.190(h)(3)(D)(iii).

locked or crossed, and a Market Peg order that would otherwise be eligible to trade against an active order will surrender its precedence on the Order Book for the duration of the System processing the current active order, pursuant to IEX Rule 11.220(a)(5).

The manner in which Market Peg orders will operate in locked and crossed markets (as proposed) is identical to the manner in which IEX's Offset Peg orders operate when the market is locked or crossed.²⁹ IEX's other pegged order types are eligible to trade in locked or crossed markets, but they are repriced away from the locking and crossing price (except for Midpoint Peg orders in a locked market which continue to be priced at the locking Midpoint Price), which is designed to prevent trading at the locking or crossing price. As with Offset Peg orders, Market Peg orders are designed to enable market participants to trade at or with reference to the contra-side NBB or NBO. When the NBBO is locked or crossed the market is generally considered to be in a transition state with the NBB and/or NBO likely subject to very near-term change. Consequently, the Exchange believes that Market Peg orders should not trade in such circumstances. Further, if a Market Peg order does not have an offset, it cannot be priced away from the locking or crossing price because the contra-side primary quote will be the locking or crossing price. Therefore, IEX proposes to not allow Market Peg orders to trade during locked or crossed markets. Additionally, IEX believes that the methodology for pricing Market Peg orders during locked and crossed markets is consistent with the Act because it is designed to price such orders at the least aggressive price that is consistent with the terms of the order so as to avoid exacerbating the lock or cross.

The Exchange notes that for many years other national securities exchanges have

²⁹ See IEX Rules 11.190(b)(13), 11.190(h)(3)(C)(iii), and 11.190(h)(3)(D)(iii).

offered order types that peg to the NBO (for buys) and/or NBB (for sells) plus or minus an offset amount.³⁰ In this regard, the Exchange notes that this proposed rule change is either identical or substantially similar to order types offered by NYSE Arca, Inc. (“Arca”), the Nasdaq Stock Market LLC (“Nasdaq”), and CBOE BZX Exchange, Inc. (“BZX”), each of which offer a non-displayed market pegged order type or attribute that pegs to the primary quotation on the opposite side of the market (i.e., the NBO for a buy order and the NBB for a sell order) with an optional passive offset amount.³¹ In particular, this proposed rule change is identical to Arca’s market peg order type, which will also will not trade when the market is locked or crossed.³² The proposed rule change is substantially similar to Nasdaq’s market peg order attribute and BZX’s market peg order type, with the exception that Nasdaq and BZX allow a market peg order to trade when the market is locked or crossed.³³

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,³⁴ in general, and furthers the objectives of Section 6(b)(5),³⁵ 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,

³⁰ See, e.g., Securities Exchange Act Release No. 52449 (September 15, 2005), 70 FR 55647 (September 22, 2005) (SR-NASD-2005-107).

³¹ See Nasdaq Rule 4703(d), NYSE Arca Rule 7.31-E(h)(1), and Cboe BZX Rule 11.9(c)(8)(B).

³² See Arca Rule 7.31-E(h)(1).

³³ See Nasdaq Rule 4703(d) and BZX Rule 11.9(c)(8)(B).

³⁴ 15 U.S.C. 78f(b).

³⁵ 15 U.S.C. 78f(b)(5).

in general, to protect investors and the public interest. Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it is designed to increase competition among execution venues by providing an additional pegged order type that market participants can use to trade at the contra-side primary quote, with an optional passive offset, as described in the Purpose section and thereby enable the Exchange to better compete with order types on other national securities exchanges that offer similar features to market participants.

Further, IEX believes that the proposal is consistent with the protection of investors and the public interest in that the Market Peg order type would provide additional flexibility to market participants in their use of pegging orders. As described in the Purpose section, IEX already offers several different types of pegging orders that trade with reference to the primary quote (Offset Peg and Primary Peg), at the Midpoint Price (Midpoint Peg and Discretionary Peg), and in some cases with the ability to also exercise price discretion in specified circumstances (Discretionary Peg and Primary Peg). As proposed, the Market Peg order would function in a similar manner but provide flexibility to market participants to peg their orders to the most aggressive possible resting price, with an optional passive offset. Such functionality could be used to price the order aggressively to enhance its execution opportunities. IEX believes that implementing this functionality through an exchange order type will make it more widely available to market participants on a fair and non-discriminatory basis.

At the same time, the offset instruction would be offered on a purely voluntary basis, and with flexibility for Users to choose the amount of any offset, thereby providing flexibility to continue using current pegged order types without a User specified offset

and to choose different offsets based on a User's specific needs. The Exchange does not believe that providing flexibility to Users to select the amount of any offset raises any significant or novel concerns, since similar offset functionality is already available on other national securities exchanges, as discussed in the Purpose section.³⁶

Further, IEX believes that it is consistent with the Act to not permit a Market Peg order to trade when the market is locked or crossed. First, as noted in the Purpose section, this functionality is identical to that of IEX's Offset Peg orders.³⁷ While IEX's remaining pegged order types are eligible to trade in locked or crossed markets, they are repriced away from the locking and crossing price (except for Midpoint Peg orders in a locked market which continue to be priced at the locking Midpoint Price), which is designed to prevent trading at the locking or crossing price.

As noted in the Purpose section, a Market Peg order cannot be priced away from the locking or crossing price because the contra-side primary quote will be the locking or crossing price. Therefore, to prevent a Market Peg order from trading at the locking or crossing price, IEX proposes to not allow them to trade during locked or crossed markets. As noted in the Purpose section Arca applies the same limitations to their market peg orders.³⁸ Additionally, IEX believes that the methodology for pricing Market Peg orders during locked and crossed markets is consistent with the Act because it is designed to price such orders at the least aggressive price that is consistent with the terms of the order so as to avoid exacerbating the lock or cross.

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

³⁶ See supra note 31

³⁷ See supra note 29.

³⁸ See supra note 32.

material issues that have not already been considered by the Commission in connection with existing order types offered by the IEX and other national securities exchanges.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is a competitive response to similar order types available on other exchanges.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Competing exchanges have and can continue to adopt similar order types, subject to the SEC rule change process, as discussed in the Purpose and Statutory Basis sections.³⁹

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 Market Peg order type on the same terms.

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

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)

³⁹ See supra note 31.

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act⁴⁰ and paragraph (f)(6) of Rule 19b-4 thereunder.⁴¹ 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.⁴²

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4⁴³ because it is substantially similar to order types previously approved or considered by the Commission and as discussed in the Statutory Basis and Burden on Competition sections.⁴⁴ Thus, IEX does not believe that the proposed changes raise any new or novel material issues that have not already been considered by the Commission.

Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act⁴⁵ and paragraph (f)(6) of Rule 19b-4 thereunder.⁴⁶

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

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)(iii).

⁴³ 17 CFR 240.19b-4(f)(6).

⁴⁴ See *supra* notes 31 and 36.

⁴⁵ 15 U.S.C. 78s(b)(3)(A).

⁴⁶ 17 CFR 240.19b-4.

Members and market participants of the implementation timeline.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

As described in the Purpose section, the proposed rule change is based on and identical to Arca Rule 7.31-E(h)(1). Additionally, the proposed rule change is substantially similar to Nasdaq Rule 4703(d) and BZX Rule 11.9(c)(8)(B), with the exception that Nasdaq and BZX allow market peg orders to trade in a locked or crossed market. Additionally, as discussed in the Purpose section, the proposed rule change is based on IEX's Offset Peg order type, IEX Rule 11.190(b)(13), which pegs to the primary quote, and will not book at a price more aggressive than the contra-side primary quote.

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-2022-05)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Add a New Order Type that Pegs to the Contra-side Primary Quote, with the Option of Using a Passive Offset Amount.

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 add a new order type (a “Market Peg” order) that pegs to the contra-side primary quote, with the option of using a passive offset amount.⁶ The Exchange has designated this rule change

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(1).

⁵ 17 CFR 240.19b-4.

⁶ The contra-side primary quote is the national best offer for a buy order or the national best bid for a sell order, as set forth in Rule 600(b) of Regulation NMS under the Act, determined as set forth in IEX Rule 11.410(b). See IEX Rule 1.160(u).

as “non-controversial” under Section 19(b)(3)(A) of the Act⁷ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁸

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

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statement may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend IEX Rule 11.190 to add a new Market Peg order type that pegs to the contra-side primary quote⁹, minus (plus) an optional passive¹⁰ offset amount for buy (sell) orders, as specified by the User.¹¹ In addition, the Exchange proposes two conforming amendments to IEX Rules Rule 11.190(a)(3) and 11.190(h)(3).

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

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4.

⁹ See *supra* note 6.

¹⁰ A passive offset is a negative number for buy orders and a positive number for sell orders, thereby making the order’s price less aggressive than the contra-side primary quote.

¹¹ See IEX Rule 1.160(qq).

midpoint peg, Discretionary Peg, and Offset Peg¹² – each of which are non-displayed orders that upon entry into the System¹³ and while resting on the Order Book¹⁴, are pegged to a reference price based on the national best bid and offer (“NBBO”)¹⁵ and the price of the order is automatically adjusted by the System in response to changes in the NBBO.¹⁶

The Exchange now proposes to add a new type of pegged order – a Market Peg order – that is a non-displayed pegged order that upon entry and when posting to the Order Book, has its price automatically adjusted by the System to be equal to and ranked at the less aggressive of the contra-side primary quote (i.e., the NBO¹⁷ for buy orders and NBB¹⁸ for sell orders), minus (plus) an offset amount for buy (sell) orders, if the User opts to submit the order with an offset amount, or the order’s limit price, if the User opts to submit the order with a limit price. If a User submits a Market Peg buy order with a positive offset amount, or a Market Peg sell order with a negative offset amount, the offset amount will be disregarded. While resting on the Order Book, (i) a buy order is automatically adjusted by the System in response to changes in the NBO minus the offset amount up to the order’s limit price, if any; and (ii) a sell order is automatically adjusted by the System in response to changes in the NBB plus the offset amount down to the order’s limit price, if any; and (iii) in locked and crossed markets, are priced to the less

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

¹³ See IEX Rule 1.160(mn).

¹⁴ See IEX Rule 1.160(p).

¹⁵ See IEX Rule 1.160(u).

¹⁶ See IEX Rule 11.190(h)(2).

¹⁷ See IEX Rule 1.160(u).

¹⁸ See IEX Rule 1.160(u).

aggressive of the locking or crossing price (i.e., the lowest Protected Offer¹⁹ for buy orders and the highest Protected Bid²⁰ for sell orders).²¹ Further, a Market Peg order would not be eligible to trade when the market is locked or crossed, either upon order entry or when resting on the Order Book.

Until recently, IEX imposed a “Midpoint Price Constraint” on all non-displayed orders, which prevented those orders from resting at prices between the Midpoint Price²² and the contra-side primary quote. The Midpoint Price Constraint meant IEX could not offer an order type that pegged to the contra-side primary quote.

IEX recently modified its non-displayed price sliding rules to allow non-displayed orders to book and rest at the contra-side primary quote based on its understanding that Members²³ would like to be able to post non-displayed orders at prices more aggressive than the Midpoint Price.²⁴ With the removal of the Midpoint Price Constraint, IEX has received informal feedback from Members that they would like the option of pegging an order to the contra-side primary quote -- the most aggressive price at which the order can execute -- to enhance the order’s execution opportunities. IEX understands that Members would also like to have the option of using a passive price offset for their Market Peg orders, which would allow the Member to obtain potential price improvement over the contra-side primary quote, while continuing to rest at an aggressive price with increased execution opportunities.

¹⁹ See IEX Rule 1.160(bb).

²⁰ See IEX Rule 1.160(bb).

²¹ As with all pegged orders, each time the price of a Market Peg order is adjusted by the System it receives a new timestamp, as described in IEX Rule 11.220(a)(4).

²² See IEX Rule 1.160(t),

²³ See IEX Rule 1.160(s).

²⁴ See Securities Exchange Act Release No. 94884 (May 10, 2022), 87 FR 29768 (May 16, 2022) (SR-IEX-2022-04).

Accordingly, IEX proposes to add subparagraph (b)(18) to IEX Rule 11.190, to add the Market Peg order. IEX notes that this Market Peg order is based upon its Offset Peg order type²⁵, with two major differences: the Offset Peg order pegs to the primary quote (i.e., the NBB for buy orders and the NBO for sell orders), while the Market Peg order pegs to the contra-side primary quote (i.e., the NBO for buy orders and the NBB for sell orders); and the Offset Peg can be submitted with an aggressive (positive for buy orders/negative for sell orders) or passive (negative for buy orders/positive for sell orders) offset amount, while the Market Peg order can only be submitted with a passive offset amount. Market Peg orders can only have a passive offset because by default they rest at the contra-side primary quote, which is the most aggressive price at which IEX will allow an order to be booked²⁶; therefore, IEX will disregard any aggressive offset amounts attached to a Market Peg order.²⁷

As proposed, a Market Peg order:

- (A) Must be a pegged order.
- (B) May have any TIF described in IEX Rule 11.190(a)(3).
- (C) Is not eligible for routing pursuant to IEX Rule 11.230(b) and (c)(2).
- (D) May not be an inter-market Sweep Order²⁸.
- (E) May be submitted with a limit price or without a limit price (an “unpriced pegged order”).
- (F) Is eligible to trade only during the Regular Market Session. As provided in IEX Rule 11.190(a)(3)(E)(iii), any pegged order marked with a TIF of DAY that is submitted to the System before the opening of the Regular Market Session will be queued by the System until the start of the Regular Market Session; any pegged order that is marked with a TIF other than DAY will be rejected when submitted to the System during

²⁵ See IEX Rule 11.190(b)(13).

²⁶ See IEX Rule 11.190(h)(2).

²⁷ For the same reason, if an Offset Peg order’s offset amount would result in the price of the Offset Peg order being more aggressive than the contra-side primary quote, IEX will reduce the offset amount so that the Offset Peg order is booked and ranked at the contra-side protected quotation. See IEX Rule 11.190(b)(13)(L).

²⁸ See IEX Rule 11.190(b)(12).

the Pre-Market Session. Any pegged order submitted into the System after the closing of the Regular Market Session will be rejected.

(G) May be a minimum quantity order.²⁹

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

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

(J) Is eligible to be invited by the System to Recheck the Order Book to trade against eligible resting contra-side interest as described in IEX Rule 11.230(a)(4)(D).

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

(L) May be submitted with an offset amount that is passive compared to the contra-side primary quote. If the offset amount would result in the price of a Market Peg order being more aggressive than the contra-side protected quotation, the offset amount will be disregarded, so that the order is booked and ranked on the Order Book non-displayed at the contra-side protected quotation. If no offset amount is specified, the System will consider the offset amount to be zero.

In addition, the Exchange proposes two conforming amendments to other IEX rules. First, IEX Rule 11.190(a)(3) would be amended to add Market Peg orders to the list of pegged order types offered by IEX, describing Market Peg orders as an order that pegs to “the NBO (NBB) for buy (sell) orders minus (plus) an offset amount.” Second, IEX Rule 11.190(h) would be amended to describe the manner in which Market Peg orders will operate in locked and crossed markets. Specifically, when the market becomes locked, Market Peg orders, whether resting on or posting to the Order Book, will be priced at the least aggressive of the locking price plus (for sell orders) or minus (for buy orders) an offset amount, or the order’s limit price, if any.³⁰ Further, as proposed, Market Peg orders resting on or posting to the Order Book while the market is crossed are priced at the least aggressive of (1) the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders); (2) the crossing price plus (for sell orders)

²⁹ See IEX Rule 11.190(b)(11).

³⁰ See proposed changes to IEX Rule 11.190(h)(3)(C)(iii).

or minus (for buy orders) an offset amount, or (3) the order's limit price, if any.³¹

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

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

The manner in which Market Peg orders will operate in locked and crossed markets (as proposed) is identical to the manner in which IEX's Offset Peg orders operate when the market is locked or crossed.³² IEX's other pegged order types are eligible to trade in locked or crossed markets, but they are repriced away from the locking and crossing price (except for Midpoint Peg orders in a locked market which continue to be priced at the locking Midpoint Price), which is designed to prevent trading at the locking or crossing price. As with Offset Peg orders, Market Peg orders are designed to enable market participants to trade at or with reference to the contra-side NBB or NBO. When the NBBO is locked or crossed the market is generally considered to be in a transition state with the NBB and/or NBO likely subject to very near-term change. Consequently, the Exchange believes that Market Peg orders should not trade in such circumstances. Further, if a Market Peg order does not have an offset, it cannot be priced away from the locking or crossing price because the contra-side primary quote will be the locking or crossing price. Therefore, IEX proposes to not allow Market Peg orders to trade during

³¹ See proposed changes to IEX Rule 11.190(h)(3)(D)(iii).

³² See IEX Rules 11.190(b)(13), 11.190(h)(3)(C)(iii), and 11.190(h)(3)(D)(iii).

locked or crossed markets. Additionally, IEX believes that the methodology for pricing Market Peg orders during locked and crossed markets is consistent with the Act because it is designed to price such orders at the least aggressive price that is consistent with the terms of the order so as to avoid exacerbating the lock or cross.

The Exchange notes that for many years other national securities exchanges have offered order types that peg to the NBO (for buys) and/or NBB (for sells) plus or minus an offset amount.³³ In this regard, the Exchange notes that this proposed rule change is either identical or substantially similar to order types offered by NYSE Arca, Inc. (“Arca”), the Nasdaq Stock Market LLC (“Nasdaq”), and CBOE BZX Exchange, Inc. (“BZX”), each of which offer a non-displayed market pegged order type or attribute that pegs to the primary quotation on the opposite side of the market (*i.e.*, the NBO for a buy order and the NBB for a sell order) with an optional passive offset amount.³⁴ In particular, this proposed rule change is identical to Arca’s market peg order type, which will also will not trade when the market is locked or crossed.³⁵ The proposed rule change is substantially similar to Nasdaq’s market peg order attribute and BZX’s market peg order type, with the exception that Nasdaq and BZX allow a market peg order to trade when the market is locked or crossed.³⁶

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,³⁷ in general, and furthers the objectives of Section 6(b)(5),³⁸ in particular,

³³ See, *e.g.*, Securities Exchange Act Release No. 52449 (September 15, 2005), 70 FR 55647 (September 22, 2005) (SR-NASD-2005-107).

³⁴ See Nasdaq Rule 4703(d), NYSE Arca Rule 7.31-E(h)(1), and Cboe BZX Rule 11.9(c)(8)(B).

³⁵ See Arca Rule 7.31-E(h)(1).

³⁶ See Nasdaq Rule 4703(d) and BZX Rule 11.9(c)(8)(B).

³⁷ 15 U.S.C. 78f(b).

in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it is designed to increase competition among execution venues by providing an additional pegged order type that market participants can use to trade at the contra-side primary quote, with an optional passive offset, as described in the Purpose section and thereby enable the Exchange to better compete with order types on other national securities exchanges that offer similar features to market participants.

Further, IEX believes that the proposal is consistent with the protection of investors and the public interest in that the Market Peg order type would provide additional flexibility to market participants in their use of pegging orders. As described in the Purpose section, IEX already offers several different types of pegging orders that trade with reference to the primary quote (Offset Peg and Primary Peg), at the Midpoint Price (Midpoint Peg and Discretionary Peg), and in some cases with the ability to also exercise price discretion in specified circumstances (Discretionary Peg and Primary Peg). As proposed, the Market Peg order would function in a similar manner but provide flexibility to market participants to peg their orders to the most aggressive possible resting price, with an optional passive offset. Such functionality could be used to price the order aggressively to enhance its execution opportunities. IEX believes that

³⁸ 15 U.S.C. 78f(b)(5).

implementing this functionality through an exchange order type will make it more widely available to market participants on a fair and non-discriminatory basis.

At the same time, the offset instruction would be offered on a purely voluntary basis, and with flexibility for Users to choose the amount of any offset, thereby providing flexibility to continue using current pegged order types without a User specified offset and to choose different offsets based on a User's specific needs. The Exchange does not believe that providing flexibility to Users to select the amount of any offset raises any significant or novel concerns, since similar offset functionality is already available on other national securities exchanges, as discussed in the Purpose section.³⁹

Further, IEX believes that it is consistent with the Act to not permit a Market Peg order to trade when the market is locked or crossed. First, as noted in the Purpose section, this functionality is identical to that of IEX's Offset Peg orders.⁴⁰ While IEX's remaining pegged order types are eligible to trade in locked or crossed markets, they are repriced away from the locking and crossing price (except for Midpoint Peg orders in a locked market which continue to be priced at the locking Midpoint Price), which is designed to prevent trading at the locking or crossing price.

As noted in the Purpose section, a Market Peg order cannot be priced away from the locking or crossing price because the contra-side primary quote will be the locking or crossing price. Therefore, to prevent a Market Peg order from trading at the locking or crossing price, IEX proposes to not allow them to trade during locked or crossed markets. As noted in the Purpose section Arca applies the same limitations to their market peg

³⁹ See supra note 34

⁴⁰ See supra note 32.

orders.⁴¹ Additionally, IEX believes that the methodology for pricing Market Peg orders during locked and crossed markets is consistent with the Act because it is designed to price such orders at the least aggressive price that is consistent with the terms of the order so as to avoid exacerbating the lock or cross.

Thus, IEX does not believe that the proposed changes raise any new or novel material issues that have not already been considered by the Commission in connection with existing order types offered by the IEX and other national securities exchanges.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is a competitive response to similar order types available on other exchanges.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Competing exchanges have and can continue to adopt similar order types, subject to the SEC rule change process, as discussed in the Purpose and Statutory Basis sections.⁴²

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 Market Peg order type on the same terms.

C. Self-Regulatory Organization's Statement on Comments on the Proposed

⁴¹ See supra note 35.

⁴² See supra note 34.

Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A)⁴³ of the Act and Rule 19b-4(f)(6)⁴⁴ 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. 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.⁴⁵

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4⁴⁶ because it is substantially similar to order types previously approved or considered by the Commission and as discussed in the Statutory Basis and Burden on Competition sections.⁴⁷ Thus, IEX does not believe that the proposed changes raise any new or novel material issues that have not already been considered by the Commission.

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

⁴³ 15 U.S.C. 78s(b)(3)(A).

⁴⁴ 17 CFR 240.19b-4(f)(6).

⁴⁵ 17 CFR 240.19b-4(f)(6)(iii).

⁴⁶ 17 CFR 240.19b-4(f)(6).

⁴⁷ See supra notes 34 and 39.

under Section 19(b)(3)(A) of the Act⁴⁸ and paragraph (f)(6) of Rule 19b-4 thereunder.⁴⁹

The Exchange will implement the proposed rule change within 90 days of filing, subject to the 30-day operative delay, and provide at least ten (10) days' notice to Members and market participants of the implementation timeline.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)⁵⁰ of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-IEX-2022-05 on the subject line.

Paper Comments:

⁴⁸ 15 U.S.C. 78s(b)(3)(A).

⁴⁹ 17 CFR 240.19b-4.

⁵⁰ 15 U.S.C. 78s(b)(2)(B).

- 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-2022-05. 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-2022-05 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.⁵¹

⁵¹ 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

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

Rule 11.190. Orders and Modifiers

- (a) No change.
- (1) – (2) No change.
- (3) Pegged Order. A non-displayed order that upon entry into the System and while resting on the Order Book, is pegged to a reference price based on the NBBO and the price of the order is automatically adjusted by the System in response to changes in the NBBO. A User can specify to peg the order to one of the following reference prices: one (1) MPV less aggressive than the primary quote (i.e., the NBB for buy orders and NBO for sell orders) while resting, and available for execution against opposing orders to its discretionary price (i.e., from the resting price to the primary quote) ("primary peg"); the midpoint of the NBBO ("midpoint peg"); [or] the midpoint of the NBBO upon entry, the inside quote on the same side of the market while resting, and available for execution against opposing orders within its discretionary range (i.e. from the resting price to the Midpoint Price or the order's limit, whichever is less aggressive) at a price that uses the minimum amount of discretion necessary to execute the order against an active order ("Discretionary Peg"); the primary quote plus or minus an offset amount ("Offset Peg"); or the NBO (NBB) for buy (sell) orders minus (plus) an optional offset amount ("Market Peg"). A pegged order may have a limit price beyond which the order shall not be executed. A midpoint pegged order or a Discretionary Peg order may be executed in sub-pennies if necessary to obtain a Midpoint Price. A pegged order:
- (A)-(G) No change.
- (4) No change.

- (b) Order Parameters
- (1) – (17) No change.
- (18) Market Peg Order. A pegged order that upon entry and when posting to the Order

Book, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of the contra-side primary quote (i.e., the NBO for buy orders and NBB for sell orders) minus (plus) an offset amount for buy (sell) orders, if any, or the order's limit price, if any. While resting on the Order Book, the order is automatically adjusted by the System in response to the changes in the NBO (NBB) for buy (sell) orders, minus (plus) an offset amount for buy (sell) orders, if any, up (down) to the order's limit price, if any. A Market Peg order:

- (A) Must be a pegged order.
- (B) May have any TIF described in IEX Rule 11.190(a)(3).
- (C) Is not eligible for routing pursuant to IEX Rule 11.230(b) and (c)(2).
- (D) May not be an ISO, as defined in paragraph (12) above.
- (E) May be submitted with a limit price or without a limit price (an "unpriced pegged order").
- (F) Is eligible to trade only during the Regular Market Session. As provided in IEX Rule 11.190(a)(3)(E)(iii), any pegged order marked with a TIF of DAY that is submitted to the System before the opening of the Regular Market Session will be queued by the System until the start of the Regular Market Session; any pegged order that is marked with a TIF other than DAY will be rejected when submitted to the System during the Pre-Market Session. Any pegged order submitted into the System after the closing of the Regular Market Session will be rejected.
- (G) May be a MQTY, as defined in paragraph (11) above.
- (H) Is not eligible to display. Pegged orders are always non-displayed.
- (I) May be an odd lot, round lot, or mixed lot.
- (J) Is eligible to be invited by the System to Recheck the Order Book to trade against eligible resting contra-side interest as described in IEX Rule 11.230(a)(4)(D).
- (K) Will not be eligible to trade when the market is locked or crossed.
- (L) May be submitted with an offset amount that is passive compared to the contra-side primary quote. If the offset amount would result in the price of a Market Peg order being more aggressive than the contra-side protected quotation, the offset amount will be disregarded, so that the order is booked and ranked on the Order Book non-displayed at the contra-side protected quotation. If no offset amount is specified, the System will consider the offset amount to be zero.

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

(1) – (2) No change.

(3) No change.

(A)–(B) No change.

(C) In the event that the market becomes locked, the System will observe the following practices for non-displayed orders:

(i)-(ii) No change.

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

(D) In the event that the market becomes crossed, the System will observe the following practices for non-displayed orders:

(i)-(ii) No change.

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