



March 16, 2016

Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

*Delivered via email: rule-comments@sec.gov*

Re: Release No. 34-75925; File No. 10-222; Investors' Exchange, LLC: Notice of Filing of Application, as Amended, for Registration as a National Securities Exchange under Section 6 of the Securities and Exchange Act of 1934

Dear Mr. Fields,

We appreciate the opportunity to comment on the Investors' Exchange, LLC (IEX) application for National Securities Exchange status. PDQ Enterprises, LLC, is the owner and operator of PDQ ATS, an independent Alternative Trading System (ATS), based in Glenview, Ill., that optimizes liquidity aggregation for all market participants via an innovative auction process. Since launching in 2009, PDQ ATS has attracted order flow from all areas of the capital markets community, including sell-side, institutional and retail traders. As operator of another ATS, we are well positioned to comment on IEX's proposed transformation from ATS to exchange.

As both IEX and PDQ have demonstrated, ATSs can be sources of innovation in market structure and trading efficiency. We applaud IEX for promoting new ideas about trade execution and sparking discussion about the place of speed in equity trading. That being said, we disagree that implementing some of IEX's features in an exchange environment would benefit the markets as a whole. In fact, as other industry commenters have noted, granting the delayed quotes at IEX protected status has the potential to cloud price discovery and impede market efficiency to a great degree.

As we understand Regulation NMS, if approved as an exchange, IEX bids and offers would benefit from quote protection. However, PDQ argues that because of the delay imposed by the IEX speed bump, its quotes may not be truly actionable on an alarmingly regular basis.

Assume a stock order – directed to exchanges by high-speed smart order routing computers – recognized the best price at IEX. Since that price has already traveled through the speed bump, it is 350 microseconds old. However, by current NMS rule, the new order must be routed to that best price, where it is also subject to the 350 microsecond speed bump. Compared to other exchanges, then, the quotes visible on IEX would be 700 microseconds behind.

The result: 700 microseconds of delays that increase the likelihood that by the time both sides meet at IEX, the original bid or offer may have already traded or been cancelled. Effectively, these kinds of bait-and-switch quotes are “ghost quotes” – quotes that are broadcast as firm and protected, but ultimately not accessible.

IEX argues that its intentional speed bump is short and there are latent delays elsewhere in the current market landscape, so the bump should not hinder its exchange application. We’d argue, however, that artificial delays, as opposed to latent delays, could have far-reaching consequences if implemented among the current system of eleven national stock exchanges.

Consider the following possibility: IEX is approved as an exchange and garners increased volume because of the protected quote system. Other exchanges react to a loss of market share by introducing their own speed bumps, at varying rates, and soon there are four or five exchanges with intentional delays and protected quotes in their matching engines. In this scenario a smart order router attempts to trade with one protected ghost quote, doesn’t get filled, and quickly starts to chase other posted and protected quotes that are also long gone. Order routers cannot find a tradeable price, chasing ghost quotes through numerous speed bumps. The result is price discovery chaos.

The current National Market System has been extremely successful, nurturing the world’s most liquid and efficient equity markets. While there are certainly improvements to be made, changing the basic process that ties public exchanges together for the benefit of one venue would be a rash decision likely to negatively affect today’s market balance.

In truth, we’re left wondering why IEX would give up its ATS status, and the real ability to innovate and improve markets, for the regulatory reality of exchange red tape.

Respectfully submitted,

A handwritten signature in black ink that reads "D. Keith Ross, Jr." The signature is written in a cursive, flowing style.

D. Keith Ross, Jr.  
Chairman & CEO, PDQ Enterprises, LLC