October 5, 2017

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-1090

Re: Release No. 34-81484: File No. SR-IEX-2017-27

Dear Mr. Fields:

Themis Trading appreciates the opportunity to comment on the proposal by the Investors Exchange LLC ("IEX") to introduce a new fee type, the Crumbling Quote Remove Fee (CQRF). Themis Trading is an agency-only institutional broker, whose clients manage trillions of dollars for long term investors. We comment with some frequency on market structure matters that will affect the experience and costs of long term investors, and so we would like to comment on IEX's CQRF.

IEX's CQRF is designed to create a disincentive for those very short-term traders who exhibit a very high pattern of aggressing an IEX displayed quote as the NBBO is changing. This monthly fee applies only when at least 5% of a member's volume, of at least one million shares, is aggressing while the CQI crumbling quote indicator is on. IEX's rationale is that liquidity providers - those posting displayed liquidity on IEX - are harmed by being picked off consistently by a small group or extremely armed professional traders.

We urge you to approve IEX's proposal, and allow the CQRF to be implemented, for two reasons:

First,

Having read some of the other comment letters on IEX's proposed fee, we gather there is concern that 1) there will be uncertainty over economics/assessed fees at IEX, and 2) the CQRF fee discriminates against only a *certain kind of participant*, and because of that discrimination should be rejected.

Regarding the 1st concern, one of our long standing criticisms of modern market structure is the distortions caused by the maker-taker rebates system in place at so many exchanges. In addition to the distortions this causes to institutional routing behavior, we witness an environment where the rebate subsidies affect how high-speed market makers quote. *Shouldn't the Commission want to get to a place where all participants bid/offer at a price because they think a stock is going higher/lower, instead of gaming a rebate?* Might that make price discovery more accurate?

Perhaps a very easy way to alleviate the FIA/HRT concern over fee uncertainty is to do away with the maker-taker rebate subsidy system entirely – but that's a larger issue being debated in market structure today. Of course, we believe that the entire maker-taker rebate system should be abolished.

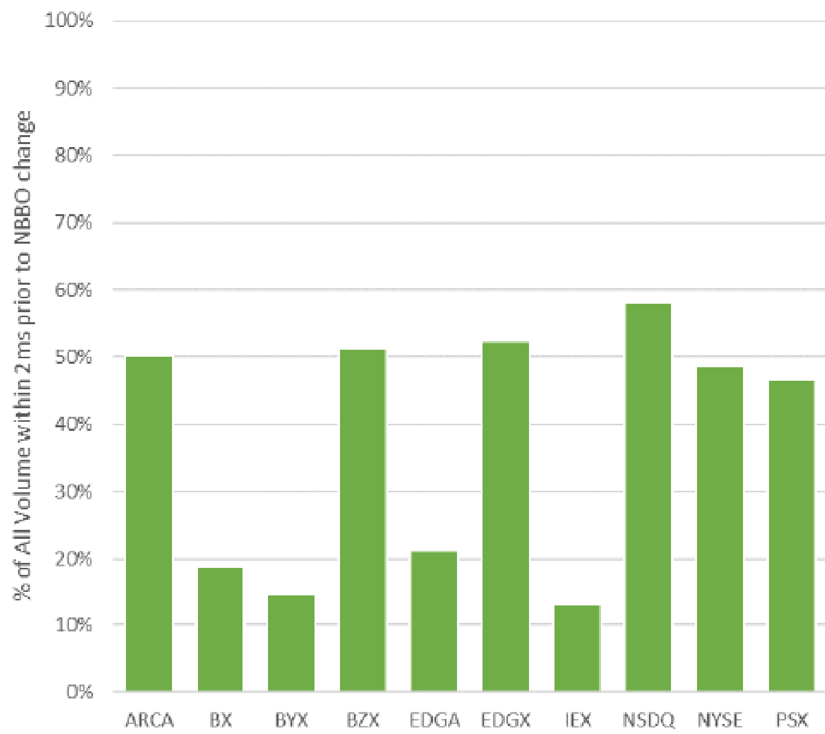
As to the 2nd point raised in some of the comment letters – the concern that certain aggressive high-speed traders would be discriminated against – this is interesting to us. For a decade we have witnessed Commission approval of queue-jumping exchange order types, and other "innovations" that were highly discriminatory against long-term investors. Often their workings were not disclosed, resulting in SEC fines/discipline. Perhaps it is not a bad thing for the SEC to allow a market innovation that, for a change, benefits long-term investors, especially an innovation that seeks to deter bad behavior for a mere few seconds per day.

Second,

We believe one of the greatest challenges before the Commission is how to incentivize more displayed liquidity**, and particularly more diverse displayed liquidity.** As the Commission is well aware, the makeup of types of participants posting displayed bids and offers in our markets has drastically changed over the last fifteen years. Whereas there was a time in our recent past where the public quotes contained a diverse and healthy makeup of institutional long term investors, retail long term investors, brokers, and faster intermediaries, **today the public quotes are dominated by an oligopoly of high speed traders.** Institutions have become loathe to display bids and offers that highly-armed short term traders can disadvantage, and so they have increasingly adopted other means to trade- dark means. Additionally, retail traders, as the Commission is well aware, has the vast majority of their orders sold to high-speed prop-trading firms, with those trades also executing in the dark. Nearly 40% of volumes in the equity markets transact in the dark. Is that good for price discovery?

While this has not posed an issue in the low volatility environment we are now in, we fear that the lack of diverse displayed liquidity will be an Achilles Heel should the markets experience stress. Imagine investors, who having taken the escalator up, have to experience taking the elevator down as they sell stocks into displayed bids that are predominantly ultra-short-term trader bids - non-diverse public bids. How will current non-diverse public limit-order books hold up under such stress? If they don't hold up well and we experience flash-crash-esque price moves, how will that affect investor confidence?

There is a downside to our current market structure being dependent on non-diverse public limit-order books dominated by only high-speed prop trading firms. Consider this: nearly 50-60% of all volume traded on the high-rebate exchanges occurs within 2 milliseconds of a quote change.



(c) Percentage of All Volume

Chart from IEX

Is this sustainable? Will this bode well in a period of market turmoil and stress? **It is our belief that the NBBO will change less if its makeup is more diverse. It is our belief that IEX's CQRF is a free-market attempt to incentivize such diverse displayed liquidity**, and that it aligns with what the Commission's goals should be for our public markets.

The original premise of the Exchange Act, according to Section 11A, was to ***"create opportunities for natural investors to interact without the participation of a Dealer".*** That premise is the opposite of what we have today, where high-speed intermediaries have found ways to insure they always have first crack at being on the other side of a long-term investor order. *Today's market contains way too much needless intermediation.* With this proposal IEX is attempting a small innovation that might discourage interactions with particularly toxic traders. It likely will result in more natural to natural trading, and less needless intermediation. How is this a bad thing?

For the reasons outlined above, please approve IEX's CQRF. Let the free market innovate in a way that protects long term investors, creates a more stable NBBO, and encourages more diverse public limit order book participation. We believe this is one step – a small step at that – can actually improve market trade quality in out high-speed marketplace.

Thank you.

Sincerely,

Joe Saluzzi and Sal Arnuk
Co-Founders
Themis Trading LLC
10 Town Square Ste 100
Chatham NJ 07928
973 665 9600

cc: Hon. Jay Clayton, Chairman
Hon. Kara Stein, Commissioner
Hon. Michael Piwowar, Commissioner
Heather Seidel, Acting Director, Division of Trading and Markets
Gary Goldsholle, Deputy Director, Division of Trading and Markets
David Shillman, Associate Director, Division of Trading and Markets
Richard Holley III, Assistant Director, Division of Trading and Markets