February 11, 2020

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: IEX Proposal for D-Limit Order Type; File No. SR-IEX-2019-15

Dear Ms. Countryman

AGF is pleased to comment in support of IEX's proposal to introduce a displayed discretionary order type ("D-Limit") which we believe will increase the amount of displayed liquidity available in the US equity market and will encourage competition among US exchanges to innovate on behalf of investors and other providers of liquidity.

AGF is an independent and globally diverse asset management firm committed to the principles of good stewardship and responsible investing and we believe that advocating for a competitive, robust and healthy marketplace is essential for the future needs of our clients and investors more broadly.

Declining Liquidity

A recent article in the Wall Street Journal titled "Buying or Selling Stocks? It isn't always Easy"[1] highlights an important trend in our market that needs to be addressed -- the declining state of displayed liquidity. According to a research paper cited in the article, the number of shares to sell near the best prices available in the S&P500 ETF (SPY) has fallen from 2.821 million shares in June 2007 to 73 thousand shares just over a decade later. That is a staggering 97.4% decline in shares available to trade in just over 10 years.

One of the contributors to this downward trend has been the rise of high-speed trading, where faster data and technology purchased from exchanges is used to trade against participants who are slower. This phenomenon has caused many investors to steer orders away from exchanges, which ultimately reduces the displayed liquidity in the markets. As agency broker Clearpool points out in a comment letter to the SEC:

> *"investors (and their broker-dealer counterparties) are proactively looking to avoid getting "picked off" on exchanges by predatory traders and trading practices. Clearpool has seen this firsthand; according to our own venue analysis data, adverse selection on "rest" or "passive" trading is significantly worse in lit order types versus dark order types."*[2]

[1] https://www.wsj.com/articles/buying-or-selling-stocks-it-isnt-always-easy-11577961000
[2] https://www.sec.gov/comments/sr-iex-2019-15/sriex201915-6699151-206001.pdf

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In addition, many electronic market makers have also written to the SEC explaining the harm they are suffering at the hands of high-speed latency arbitrageurs. Chicago Trading Company, an electronic market maker, recently commented to the SEC on the risks that market makers incur in today's high-speed market:

> *"Increased risk of instantaneous adverse selection, and the increased infrastructure cost necessary to mitigate that risk, is therefore a direct cause of market makers' quoting wider spreads and/or smaller size in order to generate sufficient risk-adjusted returns—thereby increasing costs for investors. As a result, the endless furtherance of this technology "arms race" acts counter to investor protection and the public interest."*[3]

It is clear that latency arbitrage impacts investors, brokers, and market makers and, as a result, the market is less liquid and more susceptible to volatile price swings.

Exchanges have commented that the payment of rebates are a sufficient solution to attract displayed liquidity; however, the downward trends in liquidity noted above have proven otherwise. In addition, many long-term investors feel that markets would actually be more efficient without rebates given the fragmentation, complexity, and conflicts of interest they create in US markets. This sentiment has been reinforced by many of the largest investors in the world supporting the SEC's order to conduct a pilot study to test the elimination of rebates.[4] Therefore, exchanges must have the ability to innovate to obtain displayed orders in ways other than just introducing new, complex, and conflicted rebate pricing schemes.

IEX D-Limit

IEX's D-Limit order type is an exchange innovation with the goal of increasing the amount of displayed liquidity in the market from market makers, brokers, and investors by using their AI-based signal to protect displayed orders from trading in moments when the market is unstable. The benefit of this order type will be less "instantaneous adverse selection" for all market participants, which should increase the number of participants willing to display orders on IEX, adding to the overall liquidity available in the market. As Virtu stated in a supportive comment letter to the SEC

> *"Regardless of investment horizon, passive order protection at the National Best Bid and Offer benefits everyone. In particular, the IEX proposal would enable market makers who would otherwise be exposed to the risk of adverse selection to provide narrower spreads and larger quotes."*[5]

D-limit will provide a direct, not theoretical, benefit to AGF and other institutional investors as well as market makers without requiring them to participate in the technology arms race required to compete today. This will allow investors and brokers to dedicate important time and resources to more important and necessary functions to generate greater returns for our stakeholders who are the individuals who rely on the stock market to fund their savings and retirement needs.

[3] https://www.sec.gov/comments/sr-cboeedga-2019-012/srcboeedga2019012-5813345-187453.pdf
[4] https://www.sec.gov/comments/s7-05-18/s70518.htm
[5] https://www.sec.gov/comments/sr-iex-2019-15/sriex201915-6670178-203870.pdf

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AGF acknowledges that allowing exchanges to innovate in this way creates the possibility for other exchanges to file for other signal-based order types; however, we would encourage the SEC to evaluate each order type filing on their own merits and we believe that IEX has set a very high bar for such an approval by providing detailed statistics on the potential benefits of D-limit as well as making their signal fully transparent in filings with the SEC.

We would encourage all exchanges to continue to think of ways to increase displayed liquidity and to protect the interests of long-term investors.

We urge the Commission to approve D-Limit promptly.

Sincerely,

John Christofilos
Senior Vice President, Chief Trading Officer
AGF Management LTD.