



RBC Capital Markets, LLC
Global Equities
Three World Financial Center
200 Vesey Street, 8th Floor
New York, NY 10281

February 28, 2020

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

Re: Proposed Rule Change to Add a New Discretionary Limit Order Type; File No. SR-IEX-2019-15

Dear Ms. Countryman:

On behalf of RBC Capital Markets, we appreciate this opportunity to comment on the December 20, 2019 "Proposed Rule Change to Add a New Discretionary Limit Order Type" ("the Proposal") put forth by Investors Exchange LLC ("IEX").

RBC Capital Markets, LLC (RBCCM) is the investment banking platform of Royal Bank of Canada.¹ RBCCM is a U.S. registered broker-dealer engaged in, among other things, providing equities trading and execution services to retail and institutional investors. These investors include large investment managers with trillions of dollars in assets under management. Those assets reside in employee pension funds, mutual funds, and other vehicles that hold the savings of individual investors.

In providing execution services to our clients, RBCCM is committed to the principles of market transparency, innovation, and alignment of interests between brokers and their clients. We strive to offer solutions that enable clients to navigate market challenges in a manner consistent with these principles. One such offering is THOR, RBCCM's patented order routing

¹ Royal Bank of Canada (RBC), headquartered in Toronto, Ontario, is a global provider of financial services, including personal and commercial banking, wealth management services, corporate and investment banking, and life insurance and transaction process services. RBC's approximately 80,000 employees serve more than 16 million personal, business, public sector, and institutional clients worldwide through offices in Canada, the United States, and 36 other countries. In the United States, RBC's approximately 12,300 employees primarily provide corporate and investment banking, wealth management, asset management, and retail banking services to customers and clients in more than 40 states.

technology, which is designed to improve execution quality and control trading costs.² RBCCM believes that the proposed IEX Discretionary Limit (“D-Limit”) order type is compatible with THOR, and like THOR could also help improve execution quality in a manner consistent with the aforementioned principles. Specifically, the Proposal includes a mechanism to protect liquidity providers from latency arbitrage strategies – that is, from the adverse selection of liquidity-taking trading tactics operating in extremely short timeframes while market prices are in flux.

We believe the proposed D-Limit order type would benefit investors, execution quality, and market quality insofar as it would democratize speed and help level the playing field for liquidity providers, even those that have not invested in high speed exchange market data feeds or low latency connectivity offerings. As an exchange order type, this functionality will be available to all members of IEX, regardless of their technology investment or sophistication. Furthermore, by reducing the likelihood of adverse selection to providers of displayed liquidity, this order type could help incentivize liquidity provision and may increase both the number and breadth of investors that do so.

We also believe that the D-Limit order type is a more innovative, transparent, and fair way to incentivize liquidity provision than the fees and rebates offered and paid by exchanges. Exchange fees and rebates raise significant issues about pricing opacity, market fragmentation, and conflicts of interests between brokers and their clients – issues that the Commission recognized in its 2018 final rule establishing a pilot study of exchange transaction fees.³ Rebates are typically paid by the exchanges to broker-dealers, and are not passed back to their clients. By contrast, the D-Limit order type would ensure that the benefits of better trade execution prices go directly to the end investor. We have consistently expressed our concerns about the negative effects of rebates and the maker-taker pricing model more broadly. The D-Limit order type, as proposed, would not create financial incentives to post orders to generate rebates, which can exacerbate broker-dealer conflicts of interest.

We support the SEC’s efforts to rigorously review how market participants access quotes. Importantly, we do not believe that the National Best Bid and Offer would be meaningfully impacted in a negative way, as the price-sliding process would only be engaged during brief

² THOR (“Tactical Hybrid Order Router”) is designed to achieve these objectives by increasing the likelihood that a trade placed with multiple venues will arrive at these venues simultaneously, or nearly so. In so doing, THOR reduces the probability of latency arbitrage, and thereby enhances execution quality.

³ See <https://www.sec.gov/rules/final/2018/34-84875.pdf>, (“Transaction Fee Pilot for NMS Stocks”); Proposed Rule to Establish a Transaction Fee Pilot for National Market System Stocks

<https://www.sec.gov/comments/s7-05-18/s70518-4527261-176048.pdf>

<https://www.sec.gov/comments/s7-05-18/s70518-3711236-162472.pdf>; Comments Regarding Potential Equity Market Structure Initiatives

<https://www.sec.gov/comments/s7-02-10/s70210-411.pdf>;

CSA Staff Notice and Request for Comment 23-323 Trading Fee Rebate Pilot Study

https://www.osc.gov.on.ca/documents/en/Securities-Category2-Comments/com_20190301_23-323_steinerr.pdf.

timeframes. We also appreciate that D-Limit orders that are price-adjusted would not revert back to their previously displayed price, which otherwise could cause "flickering quotes."

Furthermore, the D-Limit order type is based on a mathematical calculation that is codified in the IEX rulebook and is publicly available, which provides a high level of transparency into how this order type would function.

For the aforementioned reasons, we believe that the Proposal will benefit liquidity providers as well as execution quality and overall market quality.

Thank you for your consideration of our views. We would be pleased to provide the Commission with additional information or to otherwise be of assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Steiner".

Rich Steiner
Head of Client Advocacy and Market Innovation