# Citadel Securities Sues SEC for Approving New Stock-Order Type

*Alexander Osipovich*


**Citadel Securities said the D-Limit would unfairly discriminate against firms that might try to buy and sell stocks from traders using the new order type.**

Photo: Michael Nagle/Bloomberg News

Updated Oct. 16, 2020 8:04 pm ET

0:00 / 0:00

Listen to this article

3 minutes

Thank you for your feedback!

Electronic trading giant Citadel Securities on Friday sued the Securities and Exchange Commission over the agency's decision to approve a new mechanism for trading stocks at upstart exchange operator IEX Group Inc.

The suit marks an escalation by Citadel Securities in an arcane dispute over IEX's "D-Limit" order type, which is designed to give traders a way to buy or sell stocks at the exchange while protecting them against unfavorable price moves.

Citadel Securities had earlier urged the SEC to reject IEX's proposal, arguing that the D-Limit would harm the integrity of the U.S. stock market and unfairly discriminate against some investors. But the SEC sided with IEX in August and allowed the plan to go forward.

"The SEC failed to properly consider the costs and burdens imposed by this proposal that will undermine the reliability of our markets and harm tens of millions of retail investors," a spokeswoman for Citadel Securities said in a statement.

In a brief court filing dated Friday and seen by The Wall Street Journal, Citadel Securities asked the U.S. Court of Appeals for the District of Columbia Circuit to review the SEC's decision to approve the D-Limit order.

An SEC spokeswoman declined to comment.

"Since its launch on Oct. 1, D-Limit is already proving valuable to a broad set of market participants and the SEC's decision to approve it is based on overwhelming evidence," IEX co-founder and President Ronan Ryan said in a statement.

"We are confident it will be upheld," he added. "From our perspective, this recent action should only encourage more investors, brokers and market makers to use D-Limit given that the protections we have created are clearly working."

IEX is best known for being featured in Michael Lewis's 2014 book, "Flash Boys: A Wall Street Revolt," which cast its founders as crusaders against predatory ultrafast traders.

IEX called the D-Limit an innovative way to help protect brokers and trading firms from "latency arbitrage"—a strategy in which high-speed traders detect that a stock's price is about to move, then buy or sell it in the blink of an eye, before other market participants have time to adjust their orders.

The proposal won support from a number of institutional investors including Allianz Global Investors, the New York State Common Retirement Fund and Vanguard Group.

Like standard limit orders offered by other exchanges, D-Limit orders on IEX let traders publicly display the highest price they are willing to pay for a stock, or the lowest price at which they are willing to sell. But unlike standard limit orders, D-Limit orders contain a built-in feature in which IEX will automatically adjust the price of the order if the exchange detects that the stock's price is about to move in a direction unfavorable to the trader.

Citadel Securities and other opponents said the D-Limit would unfairly discriminate against firms that might try to buy and sell stocks from traders using the new order type. They also said D-Limit orders could potentially raise doubts as to whether the quotes posted on IEX were genuine or illusory.

**Write to** Alexander Osipovich at alexander.osipovich@dowjones.com