The same order protection, now designed for improved fill rates

Since we launched D-Limit in 2020, the data has been clear: investors are benefiting from improved spread capture and price improvement in spades.

As D-Limit usage has continued to increase, we've heard from some Members who want to use D-Limit that they are unable to consume the restatement message. Without consuming the restatement message, it can be difficult for Members to manage their orders, which can sometimes result in artificially low fill rates. So we're introducing a new optional functionality designed to maintain D-Limit's order protection, while continuing to improve fill rates.

As a quick refresher: D-Limit is designed to deliver genuine spread capture and avoid adverse selection. When you send a displayed D-Limit order to IEX Exchange and the Signal1

predicts that the price is likely to change, we reprice you one tick outside the unstable price, which is usually the NBBO. Say you send a displayed D-Limit to buy with a 10 cent limit and the Signal predicts that the 10 bid is about to crumble. D-Limit moves that 10 bid order one tick more passively to 9 cents. When that 10 bid is moved to 9, IEX Exchange sends you a FIX message back with 9 as the new effective limit. This is what we call the restatement message.

Members who have been unable to consume this restatement message may have not realized that in certain scenarios, their orders were repriced by D-Limit but the quote did not change. As a result, they are now left resting outside the NBBO. In these scenarios, we see clients experience artificially low fill rates – on average about half the fill rates that D-Limit orders receive overall.

We have heard this feedback loud and clear, and are now introducing an alternative option for those Members: a Cancel/Reprice functionality.

This is a completely optional, opt-in functionality, so the default D-Limit usage experience remains unchanged.

If a Member does opt-in, their D-Limit orders can now be configured to take one of two actions 10 milliseconds after the Signal fires, and only if the D-Limit order is not resting at the NBBO at the time:

- Option 1: Cancel

back to the Member

- Option 2: Reprice

back to the NBBO (if within order's limit, otherwise to the order's limit price)

- If an order is placed back on the NBBO, it will receive a new timestamp

The 10-millisecond time frame before taking the new Cancel/Reprice action is key, as the extended timeframe ensures that usage of this optional functionality will not give its users any advantage over those who process the restatement messages and then cancel or re-price their orders themselves (as they would likely do so more quickly).

We believe that providing this alternative to the restatement message will enhance opportunities for price discovery and increase the overall displayed (and non-displayed) liquidity profile on IEX Exchange to the benefit of all market participants. This is also an example of how Members can better customize their trading experience on IEX Exchange to best serve their individualized strategies.

D-Limit already delivers outperformance on two levels: with better markouts and with better price improvement. At its core, D-Limit is designed to avoid adverse selection – hence the better markouts. And approximately 19% of all institutional brokers' D-Limit volumes get Price Improvement vs. their original limit price, with a meaningful average price improvement at 2 cents a share. Across all D-Limit volumes, institutional brokers' average price improvement equates to just about 46 mils per share - almost half a penny. It adds up!

D-Limit leverages the innovative protections of IEX Exchange's Speed Bump and Signal to improve price discovery and uniquely solve for the liquidity challenges in today's lit markets. Please reach out to your IEX Business Development rep with any questions about D-Limit, the restatement message, or how you can opt in to automatically cancel or reprice your D-Limit orders ongoing.

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While IEX Exchange endeavors to utilize data and calculations that it believes to be reliable, IEX Exchange cannot ensure the timeliness, accuracy, reliability or completeness of any data or calculations, including our measure of when we determine the quote to be crumbling.