

Upstart trading platform IEX Exchange is aiming to draw in more business from retail investors, and in the process is set to convene regular meetings of some of the biggest brokerages in an effort to enhance equity trading for retail investors that some critics have described as impaired.

IEX said it is forming the Retail Trading Advisory Committee, or RTAC, which includes platforms with a strong retail presence, including Fidelity Investments, Interactive Brokers Group Inc. [IBKR, -0.05%

]([https://www.marketwatch.com/investing/stock/IBKR?mod=MW\\_story\\_quote](https://www.marketwatch.com/investing/stock/IBKR?mod=MW_story_quote)), Robinhood Markets Inc. [HOOD, 0.38%

]([https://www.marketwatch.com/investing/stock/HOOD?mod=MW\\_story\\_quote](https://www.marketwatch.com/investing/stock/HOOD?mod=MW_story_quote)), and TD Securities, among others, to discuss ways to better the trading experience for individual investors, especially as interest from that segment has exploded during the COVID crisis.

More than 10 million new brokerage accounts are estimated to have been opened in the first half of 2021, nearly equaling the total accounts opened last year, according to data from JMP Securities.

IEX has long been attempting to leverage its image as a crusader for market integrity and fairness in pricing. The company is billed as a champion to average investors by virtue of Michael Lewis's 2014 book, "Flash Boys: A Wall Street Revolt," which highlighted its efforts to thwart sophisticated high-speed traders.

As a part of its push for a greater share of retail trading, IEX plans, later this month or next, to roll out improved ways for brokers to execute retail trades of at least 100 shares at the so-called midpoint of bids and offers. In other words, halfway between a stock's buying and selling price, which is considered a fair way of executing trades and one that isn't usually offered to average investors.

IEX kicked off midpoint retail trading back in 2019, but this time has included features that it hopes will make it easier to identify retail trades, including electronically flagging midpoint trades using what it calls a retail liquidity indicator, or RLI.

IEX also has implemented features to help ensure that retail trades are authentic and aren't coming from computer-driven trading strategies.

Wall Street's regulator, the Securities and Exchange Commission, measures the best execution for stocks by studying the prices offered on so-called "lit" exchanges such as the Intercontinental Exchange [ICE, -0.68%

]([https://www.marketwatch.com/investing/stock/ICE?mod=MW\\_story\\_quote](https://www.marketwatch.com/investing/stock/ICE?mod=MW_story_quote)) -owned New York Stock Exchange or the Nasdaq. But retail orders are increasingly fulfilled on dark exchanges and those orders aren't used to estimate the official best price, called the National Best Bid Offer, or NBBO.

Ronan Ryan, president and one of the co-founders of IEX, told MarketWatch that "retail on exchange is under-tapped" and that pursuing retail investors represents "a natural progression for IEX."

Amid the surge in retail trading, IEX has become a frequently mentioned name on social-media sites such as Reddit and Discord because of the perception that the company is fighting on behalf of average investors. Some sophisticated investors [offer guides on how to "direct route"](#) to IEX if trading platforms offer that feature.

Ryan said that IEX's retail program is good for individual investors. "Retail are getting the fairer shake," because execution at midpoint prices tends to be something only offered to banks and institutions. IEX was founded in 2012 by Ryan and Brad Katsuyama, its chief executive, as well as John Schwall and Rob Park.

It is unclear if IEX's renewed attempt at attracting retail business will be successful.

Ryan, however, was optimistic that increased communication with retail brokers via the RTAC would prove fruitful for all parties involved.

"IEX is always working to align the interests of market participants, and the RTAC is the latest example of that," Ryan said.

"Any retail volume that we do on IEX is new business," he said, adding that he acknowledges that competition for market share is heady on Wall Street. IEX knows "other exchanges are going to look to do similar stuff."

Uncertainty about the regulatory landscape may be one factor that helps to drive retail brokers into greater alignment.

SEC Chairman Gary Gensler has vowed to be a champion of individual investors.

Last month, Gensler made news when he said that banning payment for order flow was an option "on the table." In an interview with Barron's, the SEC chief [said the practice](#) of payment for order flow — whereby stockbrokers sell the privilege of fulfilling retail orders to market makers in return for a share of profit — results in "an inherent conflict of interest," and one where retail investors don't see the best execution, critics charge.

Enhancing trading execution for retail may prove to be a cause célèbre of Gensler's.

"IEX has a retail program, as do other exchanges, and despite their existence we're still seeing the vast majority of retail order flow executed off-exchange," Ryan said.

"The hope is that with our upcoming new retail program and the creation of the RTAC, we can advance the market structure dialogue with retail brokers to work with them to come up with solutions to solve their liquidity needs and do so on exchange," he said.

[Visit our Video Center

](<https://www.marketwatch.com/video>)

Advertisement

IEX also has implemented features to help ensure that retail trades are authentic and aren't coming from computer-driven trading strategies.

Wall Street's regulator, the Securities and Exchange Commission, measures the best execution for stocks by studying the prices offered on so-called "lit" exchanges such as the Intercontinental Exchange [ICE, -0.61%

]([https://www.marketwatch.com/investing/stock/ICE?mod=MW\\_story\\_quote](https://www.marketwatch.com/investing/stock/ICE?mod=MW_story_quote)) -owned New York Stock Exchange or the Nasdaq. But retail orders are increasingly fulfilled on dark exchanges and those orders aren't used to estimate the official best price, called the National Best Bid Offer, or NBBO.

Ronan Ryan, president and one of the co-founders of IEX, told MarketWatch that "retail on exchange is under-tapped" and that pursuing retail investors represents "a natural progression for IEX."

Amid the surge in retail trading, IEX has become a frequently mentioned name on social-media sites such as Reddit and Discord because of the perception that the company is fighting on behalf of average investors. Some sophisticated investors [offer guides on how to "direct route"](#) to IEX if trading platforms offer that feature.

## We Make the Markets Make Sense

Understand how today's business practices, market dynamics, tax policies and more impact you with real-time news and analysis from MarketWatch.

[SUBSCRIBE NOW: \$2 PER WEEK

]([https://store.marketwatch.com/shop/us/us/mwus23ns/?swg=true&intrackingCode=aaqy0nsh&icid=MW\\_ON\\_ALL\\_ACQ\\_NA&n2IKsaD9=n2IKsaD9](https://store.marketwatch.com/shop/us/us/mwus23ns/?swg=true&intrackingCode=aaqy0nsh&icid=MW_ON_ALL_ACQ_NA&n2IKsaD9=n2IKsaD9))

Ryan said that IEX's retail program is good for individual investors. "Retail are getting the fairer shake," because execution at midpoint prices tends to be something only offered to banks and institutions. IEX was founded in 2012 by Ryan and Brad Katsuyama, its chief executive, as well as John Schwall and Rob Park.

It is unclear if IEX's renewed attempt at attracting retail business will be successful.

Ryan, however, was optimistic that increased communication with retail brokers via the RTAC would prove fruitful for all parties involved.

"IEX is always working to align the interests of market participants, and the RTAC is the latest example of that," Ryan said.

"Any retail volume that we do on IEX is new business," he said, adding that he acknowledges that competition for market share is heady on Wall Street. IEX knows "other exchanges are going to look to do similar stuff."

Uncertainty about the regulatory landscape may be one factor that helps to drive retail brokers into greater alignment.

SEC Chairman Gary Gensler has vowed to be a champion of individual investors.

Last month, Gensler made news when he said that banning payment for order flow was an option "on the table." In an interview with Barron's, the SEC chief [said the practice](#) of payment for order flow — whereby stockbrokers sell the privilege of fulfilling retail orders to market makers in return for a share of profit — results in "an inherent conflict of interest," and one where retail investors don't see the best execution, critics charge.

Enhancing trading execution for retail may prove to be a cause célèbre of Gensler's.

"IEX has a retail program, as do other exchanges, and despite their existence we're still seeing the vast majority of retail order flow executed off-exchange," Ryan said.

"The hope is that with our upcoming new retail program and the creation of the RTAC, we can advance the market structure dialogue with retail brokers to work with them to come up with solutions to solve their liquidity needs and do so on exchange," he said.

