

burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather than impacting competition, the proposed change would simply extend the basic premise of the current rule that clearly erroneous review should be generally unavailable any time a transaction is executed within LULD Price Bands at a time the Price Bands were available and correct. The Exchange understands that the other national securities exchanges and FINRA will also file similar proposals, the substance of which are identical to this proposal. Thus, the proposed rule change will help to ensure consistency across SROs without implicating any competitive issues.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to pursuant to Section 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6)¹⁵ thereunder.

At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule

change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-MX2-2026-10 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-MX2-2026-10. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-MX2-2026-10 and should be submitted on or before November 19, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2026-22025 Filed 10-28-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106732; File No. SR-IEX-2026-42]

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify the Behavior of Discretionary Peg Orders if They Are Received by the Exchange During a Period of Quote Instability or Quote Imbalance

October 26, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on October 15, 2026, the Investors Exchange LLC ("IEX" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) under the Act,⁴ and Rule 19b-4 thereunder,⁵ the Exchange is filing with the Commission a proposed rule change to modify the behavior of Discretionary Peg orders if they are received by the Exchange during a period of quote instability or quote imbalance. The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act⁶ and paragraph (f)(6) of Rule 19b-4 thereunder.⁷

The text of the proposed rule change is available at the Exchange's website at <https://www.iexexchange.io/resources/regulation/rule-filings> and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(1).

⁵ 17 CFR 240.19b-4.

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(6).

on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule filing is to amend Rule 11.190(b)(10) with respect to Discretionary Peg ("D-Peg") orders, so that a D-Peg order received during a period of quote instability⁸ or quote imbalance,⁹ as selected by the User¹⁰ for that order, initially prices and posts at its resting price¹¹ rather than first pricing at the less aggressive of the Midpoint Price¹² or the order's limit price, if any. IEX also proposes to make conforming edits to Rules 11.190(a)(3), 11.190(h)(3)(C)(ii), and 11.190(h)(3)(D)(ii). This proposal will only apply to D-Peg orders with a time-in-force ("TIF")¹³ that allows the D-Peg to post to the Order Book.

Background

Currently, upon entry into the System,¹⁴ a D-Peg order seeks to execute against orders resting on the Order Book at the least aggressive of the Midpoint Price or the order's limit price, if any. If the D-Peg order has a TIF of IOC¹⁵ or FOK,¹⁶ any unexecuted shares are canceled back to the User. If the D-Peg order has a TIF of DAY,¹⁷ GTX,¹⁸ SYS,¹⁹ or GTT²⁰ (collectively referred to herein as a "bookable D-Peg order"), any unexecuted shares post to the Order Book at the less aggressive of one minimum price variant ("MPV")²¹ less aggressive than the primary quote (the NBB for a buy order or the NBO for a sell order) or the order's limit price, if any.²²

A resting D-Peg order will exercise the least amount of price discretion necessary to meet the limit price of an active contra-side order, up to its discretionary price.²³ However, during a period of quote instability or quote imbalance, as applicable, the D-Peg order will not exercise any discretion and is only eligible to trade at its resting price.²⁴ Quote instability determinations are made by the System using the "crumbling quote indicator" or "CQI",²⁵ and periods of quote imbalance are determined by the System using the "quote imbalance indicator" or "QII".²⁶ Users designate whether the CQI or QII should apply to each D-Peg order, which means each resting D-Peg order's discretion will always be restricted either during times of quote instability or quote imbalance, as specified by the User,²⁷ while an incoming D-Peg order currently is unaffected by whether it is received during a period of quote instability or quote imbalance, as described above.

Proposal

The Exchange proposes to extend the CQI and QII protections to incoming bookable D-Peg orders that arrive while the applicable quote instability or quote imbalance determination is in effect for its side of the market.

As proposed, an incoming bookable D-Peg order will not seek to execute against orders resting on the Order Book at the least aggressive of the Midpoint Price or the order's limit price, if any, if it arrives during a period of quote instability or quote imbalance, as applicable. Instead, under this proposal, such a D-Peg order will post to the Order Book at either the less aggressive of one MPV less aggressive than the primary quote, or the order's limit price, if any. When on entry the CQI or QII, as applicable, is not in effect, a bookable D-Peg order will, as is currently the case, seek to execute against orders resting on the Order Book at the least aggressive of the Midpoint Price or the order's limit price, if any, and any unexecuted shares will post to the Order Book at either the less aggressive of one MPV less aggressive than the primary quote, or the order's limit price, if any. The Exchange is not proposing any change to the behavior of non-bookable D-Peg orders (*i.e.*, orders with a TIF of IOC or FOK), which will continue to seek to execute against orders resting on

the Order Book at the least aggressive of the Midpoint Price or the order's limit price, if any, irrespective of if they arrive during a period of quote instability or quote imbalance, as applicable.

This proposal also changes nothing about the behavior of resting D-Peg orders, which will continue to exercise the least amount of price discretion necessary to meet the limit price of an active contra-side order, up to the D-Peg order's discretionary price, when the CQI or QII, as applicable, is not in effect. However, during a period of quote instability or quote imbalance, as applicable, resting D-Peg orders will continue to not exercise any price discretion, meaning they remain eligible to trade only at their resting price.²⁸

The following examples depict how this proposed change will impact incoming D-Peg orders:

Example 1 (existing functionality)

- Market for security ABC is \$10.10 by \$10.12.
- IEX has a resting M-Peg²⁹ to sell 100 shares, which is booked at the Midpoint Price of \$10.11.
- CQI determines the Signal Best Bid³⁰ is unstable.
- IEX receives a D-Peg order to buy 100 shares with limit of \$10.11, TIF of DAY, and User designation that the D-Peg should apply the CQI.
- D-Peg order is automatically priced at \$10.11 and takes the resting M-Peg, irrespective of the quote being unstable.

Example 2 (proposed functionality)

- Market for security ABC is \$10.10 by \$10.12.
- IEX has a resting M-Peg³¹ to sell 100 shares, which is booked at the Midpoint Price of \$10.11.
- CQI determines the Signal Best Bid is unstable.
- IEX receives a D-Peg order to buy 100 shares with limit of \$10.11, TIF of DAY, and User designation that the D-Peg should apply the CQI.
- D-Peg order is automatically priced at \$10.09 and does not trade with the resting M-Peg.

This proposal merely aligns the entry pricing of a bookable D-Peg order with the order's existing restriction on exercising price discretion during a period of quote instability or quote imbalance, as applicable. The proposed change is confined to this entry-pricing circumstance for bookable D-Peg orders. It does not change how the Exchange calculates quote instability or quote

⁸ See IEX Rule 11.190(g)(1).

⁹ See IEX Rule 11.190(g)(2).

¹⁰ See Rule 1.160(qq).

¹¹ The resting price for a D-Peg order is the less aggressive of one (1) minimum price variant less aggressive than the primary quote (*i.e.*, the NBB for buy orders and NBO for sell orders) or the order's limit price, if any. See Rule 11.190(b)(10).

¹² See Rule 1.160(t).

¹³ See Rule 11.190(c).

¹⁴ See Rule 1.160(nn).

¹⁵ See Rule 11.190(c)(1).

¹⁶ See Rule 11.190(c)(2).

¹⁷ See Rule 11.190(c)(3).

¹⁸ See Rule 11.190(c)(4).

¹⁹ See Rule 11.190(c)(5).

²⁰ See Rule 11.190(c)(6).

²¹ See Rule 11.210.

²² See Rule 11.190(b)(10).

²³ A D-Peg order's discretionary price is the less aggressive of the Midpoint Price or the D-Peg order's limit price, if any.

²⁴ See Rule 11.190(b)(10)(K).

²⁵ See Rule 11.190(g)(1).

²⁶ See Rule 11.190(g)(2).

²⁷ See Rule 11.190(b)(10).

²⁸ See Rule 11.190(b)(10)(K).

²⁹ See Rule 11.190(b)(9).

³⁰ See Rule 11.190(g)(1)(B)(i).

³¹ See Rule 11.190(b)(9).

imbalance, the resting price formula, or the order's discretionary price when the selected determination is not in effect.

Finally, the Exchange proposes two conforming changes to Rule 11.190(h)(3)³² to clarify that a bookable D-Peg order will not execute on entry in a locked or crossed market if the CQI or QII, as applicable, is in effect. Under current rules, incoming bookable D-Peg orders could execute on entry in a locked or crossed market regardless of the CQI or QII state.

To implement the change, the Exchange proposes to revise the introductory text of Rule 11.190(b)(10), as well as references to D-Peg pricing on entry in Rules 11.190(a)(3), 11.190(h)(3)(C)(ii), and 11.190(h)(3)(D)(ii). Specifically, IEX proposes to make the following changes:

- In the explanatory paragraph in Rule 11.190(b)(10), insert a new sentence after the sentence that reads: "A pegged order that upon entry into the System, the price of the order is automatically adjusted by the System to be equal to the less aggressive of the Midpoint Price or the order's limit price, if any." The new sentence will read in full:

- "However, if the order is submitted with a TIF of DAY, GTX, SYS, or GTT, and is received during a period of quote instability as defined in paragraph (g)(1) or a period of quote imbalance as defined in paragraph (g)(2) below, as selected by the User, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of one (1) MPV less aggressive than the primary quote (*i.e.*, the NBB for buy orders and NBO for sell orders) or the order's limit price, if any, and posts to the Order Book."

- In the explanatory paragraph in Rule 11.190(a)(3) (Pegged Order), in the section describing D-Peg order pricing, add the following language after the words "the midpoint of the NBBO upon entry":

- "(except during periods of quote instability as defined in paragraph (g)(1) or during periods of quote imbalance as defined in paragraph (g)(2) below, as selected by the User), one (1) MPV less aggressive than the primary quote (*i.e.*, the NBB for buy orders and NBO for sell orders)"

- IEX also proposes to remove the words "the inside quote on the same side of the market" that currently follow the proposed new text in Rule 11.190(a)(3), to address an inconsistency in Rule 11.190(a)(3)'s description of D-Peg's resting price.³³

³² Rule 11.190(h)(3)(C)(ii) describes how in a locked market, D-Peg (and P-Peg) orders are priced one MPV less aggressive than the locking price. Rule 11.190(h)(3)(D)(ii) describes how in a crossed market, D-Peg (and P-Peg) orders are priced one MPV less aggressive than the crossing price (the lowest Protected Offer for buy orders and the highest Protected Bid for sell orders).

³³ IEX's D-Peg rule, Rule 11.190(b)(10), correctly describes the resting price of a D-Peg order, but the Pegged Order rule's description of the D-Peg resting price is inconsistent with the D-Peg rule. This conforming edit addresses the inconsistency.

- In Rule 11.190(h)(3)(C)(ii), which describes D-Peg price sliding in the event that the market becomes locked, add the following text to the last sentence, after it describes how a D-Peg order tries to execute at the Midpoint Price if it is submitted while the market is locked:

- "unless the order is submitted with a TIF of DAY, GTX, SYS, or GTT, and is received during a period of quote instability as defined in paragraph (g)(1) or a period of quote imbalance as defined in paragraph (g)(2) below, as selected by the User."

- In Rule 11.190(h)(3)(D)(ii), which describes D-Peg and P-Peg³⁴ price sliding in the event that the market becomes crossed, add the following text to the second sentence, after it describes how a D-Peg order tries to execute at the crossing price if it is submitted while the market is crossed:

- "unless the order is submitted with a TIF of DAY, GTX, SYS, or GTT, and is received during a period of quote instability as defined in paragraph (g)(1) or a period of quote imbalance as defined in paragraph (g)(2) below, as selected by the User."

Implementation

The Exchange will announce the implementation date of the proposed rule change by Trading Alert at least ten days in advance of such implementation date and within 90 days of effectiveness of this proposed rule change.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)³⁵ of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act³⁶ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the Exchange believes the proposed rule change is consistent with the protection of investors and the public interest because it is designed to protect from adverse selection bookable D-Peg orders that arrive during periods of quote instability or quote imbalance, by limiting execution at the Midpoint Price when the Exchange's CQI or QII, as applicable, identifies that the primary quote appears to be moving adversely to them, thereby reducing the potential to execute at an imminently stale price and enhancing the overall execution experience of D-Peg orders.

In addition, the Exchange believes that the proposed rule change will make D-Peg order handling more consistent and predictable, by extending the

protection from execution at a potentially imminently stale price to bookable D-Peg orders on entry. Under the existing rule, an incoming D-Peg order received during a period of quote instability or quote imbalance, as applicable, is eligible to execute against resting interest up to the Midpoint Price on entry (unless constrained by the order's limit price), even though a resting D-Peg order is restricted from exercising price discretion to the Midpoint Price during such times.

Further, the Exchange believes that such protection is consistent with the protection of investors and the public interest because it may incentivize the entry of additional D-Peg orders on the Exchange, thereby increasing the overall liquidity profile on the Exchange to the benefit of all market participants. Moreover, resting D-Peg orders generally provide liquidity to market participants removing liquidity on the Exchange when the CQI or QII, as applicable, is not in effect. By incentivizing the entry of additional D-Peg orders, the Exchange believes that the proposed changes may enhance the overall execution experience for other market participants removing liquidity on the Exchange when the CQI or QII, as applicable, is not in effect.

Furthermore, as noted in the Purpose section, the proposed pricing for a bookable D-Peg order that arrives during a period of quote instability or quote imbalance, as applicable, is the same as the pricing that occurs if any incoming bookable D-Peg order does not fully execute on entry. Thus, IEX does not believe that the proposed changes raise any new or novel issues that have not already been considered by the Commission in connection with existing order types and functionality offered by the Exchange.

Additionally, IEX believes that updating the descriptions of how orders are repriced in the Pegged Order rule, as well as in the rules for handling incoming D-Peg orders when the market is locked or crossed, is consistent with the protection of investors and the public interest because it is designed to reduce the potential to execute at an imminently stale price and thereby enhance the overall execution experience of D-Peg orders.

Finally, the Exchange believes that the conforming change to the description of the resting price of D-Peg orders in the Pegged Orders rule is consistent with the protection of investors and the public interest because it adds additional clarity to the Exchange's rules, thereby making them more accurate and complete, and

³⁴ See Rule 11.190(b)(8).

³⁵ 15 U.S.C. 78f.

³⁶ 15 U.S.C. 78f(b)(5).

descriptive of the System's functionality.

B. Self-Regulatory Organization's Statement on Burden on Competition

IEX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange does not believe the proposal would impose an unnecessary or undue burden on intermarket competition. Market participants may choose among competing venues and order types. The proposal refines the handling of an existing IEX order type in a limited set of circumstances, in a manner designed to reduce the potential to execute at an imminently stale price and thereby enhance the overall execution experience of D-Peg orders which may help the Exchange compete with other exchanges for order flow. This order handling change will be available to all Members³⁷ on equal terms. Further, market participants have a variety of order types to select from (on IEX as well as on other equities exchanges) and have the ability to choose among these various order types to meet their specific trading or business needs, as determined by the Members. Accordingly, the Exchange believes that the proposed rule change will not result in any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange also does not believe the proposal would impose an unnecessary or undue burden on intramarket competition. The proposed change will modify the treatment of all bookable D-Peg orders that are received by the Exchange during a period of quote instability or quote imbalance, as applicable, and will therefore be applied equally to all Members using the D-Peg order type, and the proposal does not alter the treatment of other order types.

Moreover, as discussed in the Statutory Basis sections, resting D-Peg orders generally provide liquidity to market participants removing liquidity on the Exchange. Thus, the Exchange further believes that to the extent that the proposed changes incentivize additional D-Peg order flow, for the reasons discussed in the Statutory Basis section, the proposed order handling change will enhance competition in a manner that is consistent with the protection of investors and the public interest.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A)³⁸ of the Act and Rule 19b-4(f)(6)³⁹ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4⁴⁰ because it would not significantly affect the protection of investors or the public interest because it merely extends a bookable D-Peg order's existing restriction on discretionary pricing during periods of quote instability or quote imbalance, as applicable, to the order's initial pricing on entry. The rule change proposal does not alter the CQI or QII calculations, the order's resting price, or its ability to exercise discretion outside of periods of quote instability or quote imbalance, as applicable. Further, as discussed in the Burden on Competition section, above, this proposal would not impose any significant burden on competition. Furthermore, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings

under Section 19(b)(2)(B)⁴¹ of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-IEX-2026-42 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-IEX-2026-42. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-IEX-2026-42 and should be submitted on or before November 19, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴²

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2026-22030 Filed 10-28-26; 8:45 am]

BILLING CODE 8011-01-P

³⁸ 15 U.S.C. 78s(b)(3)(A).

³⁹ 17 CFR 240.19b-4(f)(6).

⁴⁰ 17 CFR 240.19b-4(f)(6).

⁴¹ 15 U.S.C. 78s(b)(2)(B).

⁴² 17 CFR 200.30-3(a)(12).

³⁷ See Rule 1.160(s).