SEC Approves MEMX as a new National Securities Exchange

On May 4, 2020, the U.S. Securities and Exchange Commission (SEC) approved MEMX LLC (MEMX), standing for "Members Exchange," as a new national securities exchange under Section 6 of the Securities Exchange Act of 1934. According to the MEMX website, the investors in MEMX include global financial institutions, comprised of online retail broker-dealers, global banks and financial services firms, and global market makers. MEMX will operate a fully automated electronic order book, and will not operate a physical trading floor. Similar to other national securities exchanges, only broker-dealer members of MEMX and entities that enter into market access arrangements with members will have access to the MEMX system. As a national securities exchange, MEMX will be a self-regulatory organization and will be responsible for oversight of its members.

Novel Replenishment Process

MEMX's order types and instructions are similar to order types and instructions currently available on other national securities exchanges. It will also offer a variation of a "Reserve Order." Generally, a Reserve Order is a limit order (i.e., an order to purchase or sell a security at a specified price or better) with a portion of the quantity displayed and with a portion of the quantity not displayed (i.e., the "Reserved Quantity"). Similar to the rules of other exchanges, MEMX will allow users to attach [a random replenishment instruction](#) to a Reserve Quantity that replenishment quantities for the order are to be randomly determined by the MEMX system in round lot increments within a replenishment range established by the user. As explained in the SEC's [approval order](#), in addition to randomizing the size of the refreshed displayed portion, the MEMX instruction will allow the user to elect to have the MEMX system randomly replenish the displayed replenishment quantity at different time intervals ranging up to one millisecond following each execution that triggers replenishment (i.e., "Random Replenishment"). The default for an order subject to the Random Replenishment instruction is to replenish immediately following each execution that triggers replenishment.

Order Routing

In addition to its national securities exchange, MEMX will also offer outbound routing functionality through an affiliated routing broker-dealer. A member's use of the order routing functionality provided by MEMX's affiliated routing broker-dealer is entirely optional and members may use other broker-dealers to route out to other market centers. As recently as April 2020, MEMX stated that it is planning on launching its platform in the third quarter of 2020.

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