UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

Citadel Securities LLC v. U.S. Securities and Exchange Commission

Citadel Securities · No. 25-13631 · Decided May 29, 2026

SUMMARY

The Eleventh Circuit reviews Citadel Securities LLC's petition challenging the SEC's approval of Investors Exchange LLC's proposed options exchange. The court holds that substantial evidence supports the SEC's findings regarding latency arbitrage in options markets and concludes that the Commission's approval was not arbitrary or capricious. The court denies Citadel's petition for review.

CASE DETAILS

COURT	United States Court of Appeals for the Eleventh Circuit
WRITING FOR THE COURT	Robin S. Rosenbaum; Lagoa; Marcus
JURISDICTION	United States Court of Appeals for the Eleventh Circuit
DECIDED	May 29, 2026
DOCKET	25-13631
DISPOSITION	writ_denied
PROCEDURAL POSTURE	Citadel Securities LLC petitioned for review of the Securities and Exchange Commission's order approving Investors Exchange, LLC's proposed options-exchange rules.
STANDARD OF REVIEW	The court reviewed the SEC's final order under the APA's arbitrary-and-capricious standard, which is highly deferential. Legal conclusions were reviewed de novo, while factual findings were treated as conclusive if supported by substantial evidence under 15 U.S.C. § 78y(a)(4).
PRECEDENTIAL VALUE	Published and precedential
PARTIES	Citadel Securities LLC v. U.S. Securities and Exchange Commission

TOPICS

judicial review of agency action · administrative procedure act · agency adjudication · standard of review · commercial litigation

PRACTICE AREAS

administrative law | securities regulation | appellate procedure | commercial litigation

QUESTIONS PRESENTED

1. Whether substantial evidence supported the SEC's findings that latency arbitrage exists in and detrimentally affects the options market.
2. Whether substantial evidence supported the SEC's finding that IEX's Options Risk Parameter would accurately target latency arbitrage without substantially impeding ordinary trading.
3. Whether quotations subject to the Options Risk Parameter qualify as protected quotations under the Options Order Protection and Locked/Crossed Market Plan.
4. Whether the SEC reasonably concluded that the IEX proposal was not designed to permit unfair discrimination under 15 U.S.C. § 78f(b)(5).
5. Whether the SEC reasonably concluded that the IEX proposal would not impose an undue burden on competition under 15 U.S.C. § 78f(b)(8).

HOLDINGS

1. The SEC's finding that latency arbitrage exists in options trading and negatively affects liquidity and market makers was supported by substantial evidence, including public comments from market participants and the SEC's expertise and experience in analogous securities markets.
2. Substantial evidence supported the SEC's finding that the Options Risk Parameter would activate during the brief periods of price dislocation associated with latency arbitrage and would generally have minimal effects on ordinary trading.
3. Quotations subject to the Options Risk Parameter qualify as protected quotations under the Options Order Protection and Locked/Crossed Market Plan and do not fall within the Plan's non-firm-quotation exception.
4. The SEC reasonably concluded that the IEX proposal did not permit unfair discrimination under 15 U.S.C. § 78f(b)(5). Treating market makers differently was permissible because the risk protection was commensurate with the risks uniquely borne by market makers and was expected to benefit market participants generally through increased liquidity and better prices.
5. The SEC reasonably concluded that the IEX proposal would not impose an undue burden on competition not necessary or appropriate to further the purposes of the Exchange Act.

KEY QUOTATIONS

> *"Under that standard, we will "hold unlawful and set aside agency action, findings, and conclusions" that we conclude are "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.""* (18)

> *"Rather, we must "simply ensure[] that the agency has acted within a zone of reasonableness and, in particular, has reasonably considered the relevant issues and reasonably explained the decision.""* (18)

> *"Quotes subject to the ORP meet the criteria to be a "protected" quotation and don't fall within the non-firm quotation exception."* (33)

> *"For the reasons we have discussed, Citadel's petition for review of the Approval Order is DENIED."* (49)

FACTUAL BACKGROUND

Investors Exchange, LLC proposed an options exchange using a 350-microsecond access delay and an Options Risk Parameter that would cancel or reprice stale options quotations when an indicator detected an imminent adverse price change. Citadel, a high-frequency trader and options market maker, challenged the SEC's approval of the proposal, arguing that latency arbitrage was not adequately established in options markets, that the quotations were not protected, and that the proposal unfairly discriminated and burdened competition. The SEC found that latency arbitrage adversely affects options markets, that the proposed mechanism would target latency arbitrage without substantially impeding ordinary trading, and that the proposal complied with the Exchange Act.

PROCEDURAL HISTORY

IEX submitted its proposed IEX Options rules to the SEC in January 2025 and amended the proposal three times. The SEC issued an order approving the proposal on September 18, 2025. Citadel timely petitioned the Eleventh Circuit for review on October 17, 2025, and the court granted IEX's motion to intervene. After expedited briefing and oral argument, the court denied the petition.

DISPOSITION

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writ_denied
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CASES CITED

- Dow Jones & Co. v. International Securities Exchange, Inc., 451 F.3d 295, 298 (2d Cir. 2006)
- Citadel Securities LLC v. SEC, 45 F.4th 27, 29-37 (D.C. Cir. 2022)
- Cboe Global Markets, Inc. v. SEC, 155 F.4th 704, 711, 716 (D.C. Cir. 2025)
- Chicago Board Options Exchange, Inc. v. SEC, 889 F.3d 837, 838 n.2 (7th Cir. 2018)
- Newton v. Merrill, Lynch, Pierce, Fenner & Smith, Inc., 135 F.3d 266, 268 (3d Cir. 1998) (en banc)
- Timpinaro v. SEC, 2 F.3d 453, 456, 458 (D.C. Cir. 1993)
- American Securities Association v. SEC, 147 F.4th 1264, 1273 (11th Cir. 2025)
- City of North Miami v. Federal Aviation Administration, 47 F.4th 1257, 1266, 1268 (11th Cir. 2022)
- Miccosukee Tribe of Indians of Florida v. United States, 566 F.3d 1257, 1264 (11th Cir. 2009)
- FCC v. Prometheus Radio Project, 592 U.S. 414, 415, 423, 425 (2021)
- Orkin v. SEC, 31 F.3d 1056, 1063 (11th Cir. 1994)
- National Parks Conservation Association v. U.S. Department of the Interior, 835 F.3d 1377, 1384 (11th Cir. 2016)
- Stone & Webster Construction, Inc. v. U.S. Department of Labor, 684 F.3d 1127, 1133 (11th Cir. 2012)
- Stilwell v. Office of Thrift Supervision, 569 F.3d 514, 519 (D.C. Cir. 2009)

- American Iron & Steel Institute v. Occupational Safety & Health Administration, 182 F.3d 1261, 1273 (11th Cir. 1999)
- Azar v. Allina Health Services, 587 U.S. 566, 582 (2019)
- Domestic Securities, Inc. v. SEC, 333 F.3d 239, 249 (D.C. Cir. 2003)
- Georgia Department of Education v. U.S. Department of Education, 883 F.3d 1311, 1314 (11th Cir. 2018)
- National Mining Association v. Secretary, U.S. Department of Labor, 812 F.3d 843, 866 (11th Cir. 2016)
- Kennecott Greens Creek Mining Co. v. Mine Safety & Health Administration, 476 F.3d 946, 954 (D.C. Cir. 2007)
- Nasdaq Stock Market LLC v. SEC, 38 F.4th 1126, 1142 (D.C. Cir. 2022)
- Chamber of Commerce of the United States v. SEC, 412 F.3d 133, 142 (D.C. Cir. 2005)
- American Equity Investment Life Insurance Co. v. SEC, 613 F.3d 166, 176-78 (D.C. Cir. 2010)
- In re Credit Suisse Securities (USA) LLC, No. 3-17079, Release No. 10014, 2016 WL 683553, at *6 (SEC Jan. 31, 2016)
- LaCourse v. PAE Worldwide Inc., 980 F.3d 1350, 1360 (11th Cir. 2020)
- Access Now, Inc. v. Southwest Airlines Co., 385 F.3d 1324, 1330 (11th Cir. 2004)
- Bradford National Clearing Corp. v. SEC, 590 F.2d 1085, 1105 (D.C. Cir. 1978)
- FTC v. Procter & Gamble Co., 386 U.S. 568, 598 (1967) (Harlan, J., concurring)
- Jacobs v. Tempur-Pedic International, Inc., 626 F.3d 1327, 1339 (11th Cir. 2010)
- National Collegiate Athletic Association v. Board of Regents of University of Oklahoma, 468 U.S. 85, 103 (1984)
- FTC v. University Health, Inc., 938 F.2d 1206, 1219 (11th Cir. 1991)
- United States v. Apple, Inc., 791 F.3d 290, 331 (2d Cir. 2015)
- Nasdaq Stock Market LLC v. SEC, 34 F.4th 1105, 1113 (D.C. Cir. 2022)
- AD HOC Telecommunications Users Committee v. FCC, 572 F.3d 903, 908 (D.C. Cir. 2009)