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Michael J. Friedman
[redacted]

May 14, 2015

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Equity Market Structure Advisory Committee, File No. 265-29

Dear Mr. Fields:

Many of the pressure points of current equity market structure that are under examination by the above committee—the trade-through rule, maker-taker reform, locked and crossed markets, complexity of order types—flow from a single source: the failure of quoted prices to reflect the actual cost to a "taker" wishing to accept those quotes.

We propose (echoing similar proposals from long ago[1]) requiring venues to include all-in costs (price plus access fee for taking the quote) in their visible quotes, allowing net quotes to the nearest tenth or hundredth of a penny. This change would yield the following benefits:

1. Venues would compete on price to provide top of book priority. Venues charging takers more than other venues would diminish the priority of their customers' orders. Because rebates are a function of access fees, in thickly traded stocks where priority is most competitive, this change would either eliminate or greatly reduce rebates. In thinner stocks with wider spreads, venues could continue to offer rebates to incent liquidity, but competition to provide better take prices would act as a natural fee/rebate cap. The artificial fee/rebate cap in existing Rule 610 could therefore be repealed.

2. If NBBO quotes reflected the actual all-in cost of taking, it would become much easier for brokers (and their customers) to monitor for best execution. The potential conflict of interest arising from a broker obtaining an inferior price on a rebate-paying venue would be eliminated. In this environment, the existing trade-through rule (Rule 611) would become redundant of best execution obligations and superfluous.

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[1] *See, e.g.*, Letter of Ten Academic Researchers dated May 23, 2004, available at https://www.sec.gov/rules/proposed/s71004/10academicstudy052304.pdf.

3. Locked and crossed markets would be less likely to occur, because bids and offers at the same whole penny would no longer lock or cross. The bid would be some fraction lower than a penny and the offer some fraction higher with taker fees included. The ban on locked and crossed markets could therefore be repealed.

4. Venues would be forced to greatly simplify their complex access fee pricing structures so that participants could understand and anticipate the price priority of their orders.

5. Venues would also be able to remove many of the complex order types they now offer that were designed in order to manage order priority anomalies that would no longer exist with all-in quotes.

We believe the net effect of these changes would be a simplified market structure with far less government constraints on competitive market forces, and thus most consistent with the stated goals of the 1975 Securities Act Amendments.

Very truly yours,

Michael J. Friedman
General Counsel