RegOne Solutions by markit

VIA EMAIL: rule-comments@sec.gov

October 9, 2015

Mr. Brent Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: SEC Equity Market Structure Advisory Committee (File No. 265-29)

Dear Mr. Fields,

RegOne Solutions ("RegOne") appreciates the opportunity to provide its views on the matters to be considered by the Securities and Exchange Commission's ("SEC") Equity Market Structure Advisory Committee ("Committee") in the meeting scheduled for October 27, 2015 concerning Rule 610 of SEC Regulation NMS and the regulatory structure of trading venues.

RegOne is a leading provider of compliance, analysis, and reporting of best execution and related execution quality data for broker-dealers, Alternative Trading Systems, and stock exchanges. We believe our experience in collecting, analyzing and publishing execution statistics for retail, institutional and regulatory market participants gives us a unique perspective on Rule 610 and the general equity market structure matters that the Committee may consider.

Our questions focus on Rule 610 and the impact of access fees and rebates used by exchanges and other trading venues.

1. Access Fees and Impact on Retail Investors and Liquidity

Overview: Under the current access fee regime, retail brokerage firms collect hundreds of millions of dollars in rebates on behalf of the limit orders placed by retail clients. Much of that economic benefit is directly passed on to their clients in the form of low commissions and higher levels of service. In addition, these clients tend to leave their orders in the market for much longer than other participants, which helps to improve the liquidity profile of the market in general.

Q: In considering proposals to cut or eliminate access fees, is the Committee taking into account and/or considering corresponding proposals that would mitigate the risk that access fee proposals may hurt retail investors directly and also impact the liquidity profile of the market negatively? A consequence of changing the access fee regime could very likely be to subsidize traders who provide LESS stable liquidity at the expense of retail participants.

2. Disclosure and Data-Driven Analysis of Access Fees

Overview: In the current regime of execution quality reporting, most routing is not disclosed by Rule 606 and more than half of all trading activity is excluded from Rule 605. In particular, institutional orders are not subject to current rules, and many types of orders, such as short sales, special handling, opening auction orders, and orders larger than 9,999 shares are excluded from monthly execution quality reports. In addition, Rule 606 does not require broker-dealers to provide any quantitative estimates or aggregate dollar amounts of payment for order flow or other fees. Rule 606 only requires descriptions of payment for order flow arrangements with venues, but these descriptions are in varying formats at the discretion of the broker dealer and do not result in measurable amounts per share or amounts per order data.

Q: Before proposing any changes to the access fee regime, or instituting a pilot program concerning access fees, would the Committee consider recommending changes to the disclosure and reporting rules?

Q: If the Committee would consider proposals to address the disclosure and reporting rules, would the Committee be in favor of broadening the data collection requirements of the recently approved Tick Pilot to both cover all Regulation NMS securities and require Rule 605 style metrics for all order categories? Would the Committee consider enhanced Rule 606 reporting to require fee metrics in a quantitative rather than qualitative format?

3. Rebates and Impact on Market Making and Liquidity

Overview: The U.S. equity market currently trades a much higher percentage of average market capitalization at tighter spreads than the rest of the G7 markets. This has directly contributed to the U.S. economy by providing asset managers more ability to invest in the American equity market with the result that U.S. companies can raise capital easier. Rebates are a direct incentive for market makers to provide liquidity in our current market structure.

Q: In considering proposals that impose fee caps that reduce or eliminate rebates to market makers, is the Committee taking into account and/or considering corresponding proposals that would address the concern about directly impacting the liquidity available in the market?

For example, if market makers respond to lower rebates by widening spreads, would the Committee consider this a positive outcome? Keep in mind, however, that with the current fixed tick size, wider spreads actually translate into more volatile spreads. To illustrate this, if the average spread for a stock widened from 1.2 cents per share to 1.5, that actually means that the percentage of time that the

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spread is at 2 cents instead of 1 would increase from 20% to 50%. This would, of course, put an even greater premium on speed of access to the market.

Q: If the Committee would consider wider spreads as a favorable outcome of a proposal that would impose fee caps on rebates, would the Committee extend this opinion to less liquid securities, particularly considering the concerns highlighted in the JOBS Act with regard to emerging growth companies?

RegOne thanks the Committee for the opportunity to submit these questions for its October 27th meeting. We would welcome the opportunity to appear before the Committee at the meeting to discuss these questions further and to engage in dialogue about Rule 610. If the Committee has any questions or would like additional information, please do not hesitate to contact David Weisberger at [redacted].

Respectfully submitted,

Sincerely,

David M. Weisberger
Managing Director and Global Head
RegOne Solutions, a Markit company

Cc:

The Honorable Mary Jo White, Chair
The Honorable Daniel M. Gallagher, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner

Stephen Luparello, Director, Division of Trading and Markets
Gary Goldsholle, Deputy Director, Division of Trading and Markets
David Shillman, Associate Director, Division of Trading and Markets